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ANNUAL REPORT 2008

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PROVIEW INTERNATIONAL HOLDINGS LIMITED

唯 冠 國 際 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability) HK Stock Code:334

EXPERIENCE THE DIFFERENCE

PROVIEW, powered by Innovation, Value and Quality in Product and Service, offers to customers an exceptionally different experience that exceeds their expectations.

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Corporate Information

EXECUTIVE DIRECTORS

Yang Long-san, Rowell
(Chairman and Chief Executive Officer)
Wang Ming-chun, Morris *(Deputy Chairman)*
Hui Siu-ling, Elina

NON-EXECUTIVE DIRECTORS

Chang I-hua
Huang Ying-che, Michael

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lau Siu-ki, Kevin
Lee Chiu-kang, Alex
Liu Zixian
Wang Kuei-ching, Will

COMPANY SECRETARY

Chow Chi-shing

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

PRINCIPAL PLACE OF BUSINESS

Unit 901, 9th Floor
Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China Limited
Bank of Communications
China Construction Bank Corporation
China Development Bank
China Everbright Bank
China Minsheng Banking Corp., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building, 6 Front Street
Hamilton HM 11, Bermuda

BRANCH REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

WEBSITE

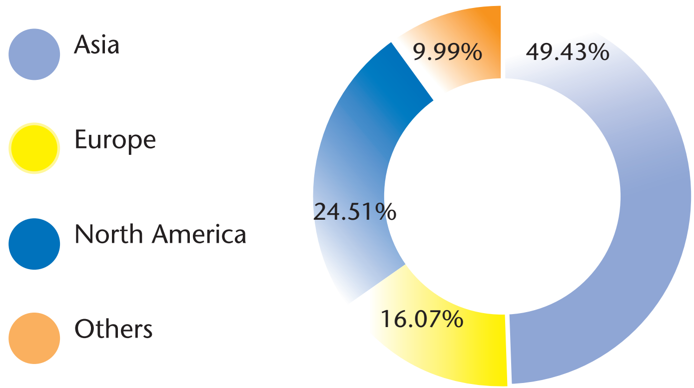
http://www.proview.com/Investors.aspx

Financial Highlights

					Year ended 30 June
	2004 HK$ million	2005 HK$ million	2006 HK$ million	2007 HK$ million	**2008** **HK$ million**
Revenue	8,696	12,143	16,178	15,650	**17,395**
Profit (loss) for the year attributable to equity holders of the Company	148	26	180	127	**(62)**
Earnings (loss) per share					
Basic	HK23.20 cents	HK4.05 cents	HK27.93 cents	HK19.65 cents	**HK(8.36) cents**
Diluted	HK23.00 cents	HK4.01 cents	HK27.93 cents	HK19.65 cents	**HK(8.36) cents**

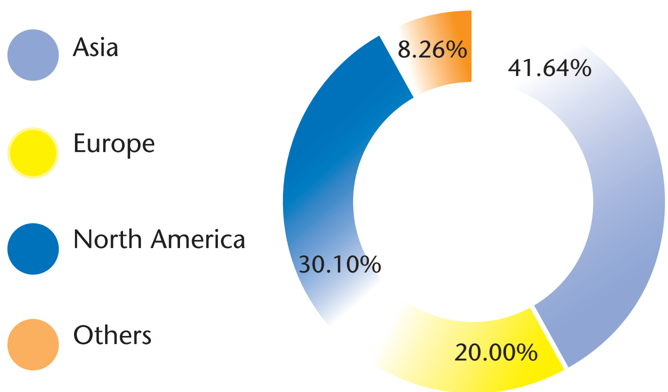
REVENUE BY GEOGRAPHICAL AREA

Year ended 30 June 2008



REVENUE BY GEOGRAPHICAL AREA

Year ended 30 June 2007



Chairman's Statement

On behalf of the board of Directors (the "Board") of Proview International Holdings Limited (with its subsidiaries referred to hereafter collectively as the "Group" or "Proview"), I am pleased to present the 2008 annual report and the audited consolidated results of the Group for the financial year ended 30 June 2008.

OVERVIEW

The worldwide economy deteriorated during the year under review. United States and Europe are on the verge of recession after the outbreak of subprime mortgage crisis. The confidence of consumers was weakened which brought down their spending on electronic appliances and computer products. The Group is facing a tough business environment, which is unprecedent since establishment. For the year ended 30 June 2008, Proview recorded a loss attributable to equity holders of the Company of HK$62 million. The adverse performance was caused by the decrease in profit margin resulted from the drop in selling prices of TV and monitor products. Other than that, material costs of plastic components and transportation expenses significantly increased due to the persistently rising oil price. Making the situation worse was that new labor regulations and tax law were introduced in Mainland China during the year. This dramatically raised the Group's expenses, which was reflected in the sharp increase in staff costs and effective income tax expenses in China. Thanks to the rapidly rising demand for flat-panel digital TVs, the Group still recorded an increase in consolidated turnover even against such a weak economic backdrop. The sales performance of flat-panel digital TV segment was notable. It experienced a growth in sales of 118% as compared with that of last year. However, LCD monitor and CRT monitor sales dropped by 28% and 3% respectively. This eventually reduced the Group's overall sales growth to only 11% for the whole year.

PROSPECTS

Facing the challenges in the pessimistic economic environment, Proview will focus on the following strategies in order to enhance its competitiveness:

Vertical Integration with Tatung Group

Tatung Group is a reputable business conglomerate listed in Taiwan. It operates full-line branded home appliance business and has direct control over one of the world's leading panel suppliers, Chunghwa Picture Tubes Ltd.. Tatung Group has invested into Proview since October 2007 and is now a strategic investor holding 16.22% of the Group's issued shares. On 23 May 2008, Proview entered into three agreements with Tatung Group, which are effective from 24 June 2008 to 30 June 2010. According to these agreements, Tatung Group will supply panels to Proview with an annual cap of at least HK$3,500 million in each of the coming two years. This will take up a significant portion of the Group's panel purchase and will help to secure a stable supply of high quality panels at competitive prices. Meanwhile, Proview will supply TV products to Tatung Group with an annual cap of at least HK$620 million in each of the coming two years. This helps to further build up sales of Proview, by taking advantage of

Tatung Group's well-established distribution channels. The alliance goes a further step forward, whereby Tatung Group is committed to provide Proview with manufacturing and processing service through its production sites in Eastern Europe and Asia. Tatung Group owns world-class factories in the Czech Republic and Mainland China. This cooperation allows Proview and Tatung Group to combine their respective competitive advantages and create synergy. All the above plans have begun in June 2008. The management believes that they will significantly enhance the Group's performance in the coming years.

Marketing Focus

The Group will continue to acquire further sales growth in flat-panel digital TVs. According to several display industry analysts, as the world is undergoing a global economic retrenchment, the global demand for lower-priced flat-panel digital TVs will increase greatly. The management believes that this opens up a tremendous opportunity for the Group's already well established "white box" and "private label" ODM TV business. The management is also impressed by the remarkable potential of the market in Mainland China, which is a region supported by strong domestic demand and is expected to be less affected by the global economic turmoil. Proview currently has solid customer base in China, which consists of top-tier local brands and leading retail chains of electronic appliances. The Group will further spend resources to enlarge its market shares in China. In order to explore new source of income and diversify the product mix, Proview launched a set-top box project in Brazil during the year. Following the commencement of digital broadcasting in December 2007, the Group introduced to the Brazilian market the first set-top box product, which brings affordable digital TV solution to Brazil. It is estimated that 60 million households will be finally covered by digital broadcasting. The project is expected to provide the Group with a considerable potential income.

Loan and Working Capital Management

The Group is working on a plan to improve its existing loan structure. The management is actively seeking borrowings and facilities with relatively longer tenor from banks in order to reduce the Group's reliance on short-term borrowings. Other than that, capital expenditure is optimized to minimize the Group's overall borrowings as well as the related finance costs. Proview is continuously negotiating with customers for the adoption of consignment panel arrangement. Under such an arrangement, customers will acquire and bring along their own panels for Proview's production. Panels take up a very significant portion of the Group's production costs. Through this method, working capital can be released from inventory for operations. It also allows the Group to reduce its stocks on hand, which will in turn lower the Group's inventory risk.

APPRECIATION

Finally, on behalf of the Board, I would like to extend my gratitude and sincere appreciation to all management and staff member of the Group for their dedicated efforts, and to the Company's shareholders and business associates for their continued support.

On behalf of the Board

Yang Long-san, Rowell
Chairman and Chief Executive Officer

Hong Kong, 22 October 2008

BUSINESS REVIEW

For the year ended 30 June 2008, the Group's consolidated turnover increased by 11% to HK$17.4 billion (2007: HK$15.7 billion). The growth was driven by the continuously rising demand for flat-panel digital TVs. However, the Group recorded a loss attributable to equity holders of the Company of HK$62 million as a result of the unfavorable developments in the global economy since the outbreak of the subprime mortgage crisis. During the year, the poor economic outlook in North America exerted downward price pressure on display products. Meanwhile, the operating costs of the Group were affected by the global inflation and high oil price. Interest spread widen on average after the credit crunch, which increased the borrowing costs of the Group. At last, panel price dropped in 2008, which induced the Group to make an exceptional once-off inventory provision at year end. Encountering the economic downturn, the management is aware that it is vital for the Group to preserve its competitiveness. The Group is now running programs to further strengthen supply chain management with the objective of lowering its operating costs. Production process is being further streamlined to enhance overall efficiency. Customer profile and product mix are re-examined to ensure that the Group can earn the highest return with the existing resources. The management expects that the above measures will help to improve the overall profitability of the Group, which will in turn bring the performance back on track in the coming financial year.

Despite the tough business environment, there was still a remarkable growth in the demand for flat-panel digital TVs. During the year, the Group's sales of flat-panel digital TVs increased by 118%, which bringing in a record-breaking HK$8.0 billion (2007: HK$3.7 billion) in segment revenue. It contributed about 46% of the Group's consolidated turnover and became the largest source of the Group's income. The management believes that global demand for flat-panel digital TVs will persistently grow even in the economic hard time. Flat-panel digital TVs will be a significant driver for the Group's future growth.

LCD monitor sales dropped by 28% to HK$7.6 billion (2007: HK$10.6 billion). This reflected the Group's ongoing plan to reallocate internal resources. Starting from last year, the management has started to re-examine the Group's customer profile for LCD monitors. The Group carefully reviews and selects its sales orders to ensure a satisfactory return from LCD monitor sales. Meanwhile, the Group introduces innovative products in order to improve the overall profitability of its LCD monitor business. VisBoard™, a new-generation tablet monitor equipped with state-of-the-art pen-writing technology which leverages Microsoft's cutting edge touch-screen functionality in Vista operating system, has been launched to the market in the third quarter of 2008. The Group is now continuously streamlining this new strategic product and adding variety (in terms of screen size and functionality) for customers' choice. The sales of VisBoard™ have just been kicked off this year, but the management is impressed by its prodigious potential, which is reflected by its shipment growth and remarkable profit margin. We expect that the sales of VisBoard™ will further increase in the coming year. This will help to enhance the Group's overall profitability as VisBoard™ contributes a much higher profit margin to the Group than traditional LCD monitors.

CRT monitor sales dropped by 3% to HK$1,283 million (2007: HK$1,315 million), which resulted from the further decline in the global CRT monitor market. In this financial year, the Group's shipment of CRT monitors was mainly made to countries including Mainland China and Brazil. Foreseeing that CRT monitors will soon be completely replaced by LCD monitors within the coming five years, the Group will scale down its existing production of CRT monitors in phases, in order to release resources to develop other core businesses.

The Group's geographical market mix was well managed and diversified. For the year ended 30 June 2008, the sales to North America, Europe and Asia accounted for about 25% (2007: 30%), 16% (2007: 20%) and 49% (2007: 42%) of the Group's consolidated turnover respectively. In the 2008 financial year, sales to North America and Europe amounted to HK$4.3 billion and HK$2.8 billion. As compared with last year, this represented a drop of 10% and 11% respectively. Nevertheless, such negative impact was compensated by the rapid sales growth in the Asian market, which posted an increase in sales of 32% to HK$8.6 billion. The remarkable growth in Asia was driven by the blooming demand for display products in Mainland China, a country which we expect to be a shelter from the global financial crisis. The Group will continue allocating resources to develop the market in China. At the same time, we will keep on exploring the emerging market in South America, Eastern Europe and the Pacific region.

The gross profit margin of the Group decreased from 6.9% to 6.5%, which was mainly because of the falling selling price against the pessimistic economic backdrop as well as the rising production costs in the inflating environment. For the year under review, the gross profit margins contributed from the sales of flat-panel digital TVs, LCD monitors and CRT monitors were 7.0% (2007: 7.8%), 6.2% (2007: 6.8%) and 6.0% (2007: 5.3%) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group held cash and bank balances (including pledged bank deposits) of approximately HK$1.3 billion (2007: HK$1.5 billion), with total equity attributable to equity holders of the Company standing at approximately HK$1,370 million (2007: HK$1,175 million).

The Group was more focused on producing flat-panel digital TVs during the year. Since TV products, as compared with monitor products, are associated with relatively higher material costs and a longer production lead-time, inventories slightly increased to approximately HK$2.9 billion (2007: HK$2.8 billion), with inventory turnover days increased to 65 days (2007: 60 days).

Trade and bills receivables decreased to approximately HK$1.9 billion (2007: HK$2.0 billion) because the Group strengthened its debts collection during the year. Accordingly, trade and bills receivables turnover days dropped to 41 days (2007: 46 days).

Trade and bills payables decreased to HK$3.2 billion (2007: HK$3.9 billion). In the meantime, trade and bills payables turnover days decreased to 80 days (2007: 96 days). Proview maintains a long lasting relationship with its suppliers, which helps to assure the Group of a secure and steady supply of materials at low cost.

CAPITAL COMMITMENT AND CAPITAL STRUCTURE

In order to enhance production capacity, the Group invested approximately HK$260 million in the acquisition of new fixed assets. These were mainly machinery used by the Group's factories in Shenzhen and Ningbo. The Group carefully controls its capital expenditures, with an aim to maximize the return on assets as well as prevent unnecessary borrowings. For this reason, the Group's capital commitments reduced to approximately HK$1 million (2007: HK$16 million) as at 30 June 2008.

The Group raised additional funding from banks and investors to finance its business plan. Bank borrowings increased to HK$2.7 billion (2007: HK$2.4 billion), of which non-current bank borrowings increased to HK$397 million (2007: HK$230 million). Meanwhile, a capital of HK$157 million was obtained through placement of shares to Tatung Group. The Group closely monitors its capital structure and is actively seeking stable funds at low cost.

The Group's financial gearing, representing the ratio of total borrowings from banks and financial institutions to equity attributable to the equity holders of the Company, was around 2.0 (2007: 2.1). The decrease in financial gearing was due to the placement of new shares during the year as well as the Group's effort in controlling its borrowings. The Group believes that its future cash flow requirements can be satisfied by the funds generated from operations, facilities provided by banks and financial institutions as well as by the strong support of suppliers.

CONTINGENT LIABILITIES

During the year, the Group has been involved in a patent litigation. The concerned plaintiff has not yet identified the amount of damages sought. The Group is vigorously defending itself against the complaint and the proceeding is still sub judice. The outcome of the litigation cannot be estimated with certainty at this stage, and the Court has not yet set the schedule for the case.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in the People's Republic of China and the exposure to foreign exchange rate risks mainly arises from fluctuations between the United States dollars and Renminbi exchange rates. Foreign currency exposures are managed through using natural hedges and forward contracts. As at 30 June 2008, there were forward contracts in place to hedge against possible exchange risk from future net cash flows.

CHARGES ON GROUP ASSETS

As at 30 June 2008, the Group's banking facilities were mainly collateralised by certain plant and machinery of the Group with a carrying amount of approximately HK$33 million (2007: HK$4 million), and first legal charges over certain land and buildings of the Group of approximately HK$178 million (2007: HK$139 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2008, the Group employed approximately 10,000 full-time employees. Remuneration of the Group's employees is based largely on the prevailing industry practices in the countries in which it operates. The Group offers share options to selective senior executives, as well as monetary awards to reward employees with very outstanding performance.

The board of Directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 30 June 2008.

CORPORATE GOVERNANCE PRACTICES

The Board has recognised the importance of good corporate governance, which is crucial to the development of the Group and safeguard the interest of the shareholders of the Company.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Throughout the year under review, the Company has complied with the code provisions set out in the CG Code, save for the deviations from code provisions A.1.1, A.2.1 and A.4.1 which are explained in the relevant paragraphs in this Report.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory and the CG Code and align with the latest developments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. The Company also has established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 30 June 2008. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

Composition and Role

As at 30 June 2008, the Board of the Company comprises nine members, of which three are executive Directors namely Mr. Yang Long-san, Rowell (Chairman and Chief Executive Officer ("CEO")), Mr. Wang Ming-chun, Morris (Deputy Chairman) and Ms. Hui Siu-ling, Elina, two are non-executive Directors namely Mr. Chang I-hua and Mr. Huang Ying-che, Michael, and four are independent non-executive Directors namely Mr. Lau Siu-ki, Kevin, Mr. Lee Chiu-kang, Alex, Mr. Liu Zixian and Mr. Wang Kuei-ching, Will. The Board included at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during the year ended 30 June 2008. None of the members of the Board is related to one another.

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The Board also reserves for its decisions on all major matters of the Company, including: the approval and monitoring of major policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors. The delegated functions and work tasks are reviewed from time to time. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Notice of at least 14 days have been given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within reasonable time before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and all Directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

Number of Meetings and Directors' Attendance

Code Provision A.1.1 of the CG Code stipulates that the Company should hold at least four regular Board meetings a year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

During the year ended 30 June 2008, as the Company did not announce its quarterly results, 40 Board meetings were held, out of which 3 were regular Board meetings for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance records of each Director are set out below:

Name of Director		No. of Meeting Attended/ Eligible to Attend
Executive Directors		
Mr. Yang Long-san, Rowell		39/39
Mr. Wang Ming-chun, Morris		33/40
Mr. Chang Su-pong, Steve	(resigned on 5 January 2008)	5/19
Ms. Hui Siu-ling, Elina		40/40
Non-Executive Directors		
Mr. Chang I-hua	(appointed on 5 January 2008)	2/19
Mr. Huang Ying-che, Michael	(appointed on 5 January 2008)	2/19
Independent Non-Executive Directors		
Mr. Lau Siu-ki, Kevin		8/40
Mr. Lee Chiu-kang, Alex		10/40
Mr. Liu Zixian		6/40
Mr. Wang Kuei-ching, Will	(appointed on 5 January 2008)	5/21

CHAIRMAN AND CEO

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and CEO should be separate and should not be performed by the same individual.

Mr. Yang Long-san, Rowell currently holds the offices of Chairman and CEO of the Company. The Board considers that the current structure of vesting the roles of Chairman and CEO in the same person will not impair the balance of power and authority between the Board as the Chairman and CEO shared the power and authority with the Deputy Chairman and all major decisions are made in consultation with members of the Board as well as the top management of the Company.

The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Although some non-executive Directors are not appointed for a specific term, the Company believes that as all Directors of the Company are subject to retirement by rotation once every three years and any new Director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment pursuant to the Company's Bye-Laws, such practice meets the same objective and is no less exacting than those prescribed under the code provision of the CG Code.

AUDIT COMMITTEE

As at 30 June 2008, the Audit Committee comprises four independent non-executive Directors, namely Mr. Lau Siu-ki, Kevin (Chairman), Mr. Lee Chiu-kang, Alex, Mr. Liu Zixian and Mr. Wang Kuei-ching, Will, including at least one independent non-executive Director who possesses the appropriate professional qualifications, or accounting or related financial management expertise.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and associated procedures.

The Audit Committee provides supervision on the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

During the year ended 30 June 2008, the Audit Committee has reviewed the Group's annual results and annual report for the year ended 30 June 2007 and interim results and interim report for the six months ended 31 December 2007, the financial reporting and compliance procedures, the report on the Company's internal control and processes and the re-appointment of the external auditors.

The Audit Committee held five meetings during the year and the attendance records are set out below:

Name of Director		**No. of Meeting Attended/ Eligible to Attend**
Mr. Lau Siu-ki, Kevin		5/5
Mr. Lee Chiu-kang, Alex		5/5
Mr. Liu Zixian		5/5
Mr. Wang Kuei-ching, Will	(appointed on 1 April 2008)	0/0

REMUNERATION COMMITTEE

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors of the Company for the year ended 30 June 2008 are set out in the notes to the financial statements of the Company.

The Remuneration Committee was established with written terms of reference, the primary objectives include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee comprises three members, namely Mr. Lee Chiu-kang, Alex (Chairman), Mr. Wang Ming-chun, Morris and Mr. Lau Siu-ki, Kevin, the majority of them are independent non-executive Directors.

The Remuneration Committee held three meetings during the year ended 30 June 2008 to review the remuneration policy and structure and determine the annual remuneration packages of the Directors and the senior management and other related matters. In determining the emolument payable to Directors, the Remuneration Committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and the desirability of performance based remuneration.

The attendance records of the meetings of the Remuneration Committee are set out below:

Name of Director	**No. of Meeting Attended/ Eligible to Attend**
Mr. Lee Chiu-kang, Alex	3/3
Mr. Wang Ming-chun, Morris	3/3
Mr. Lau Siu-ki, Kevin	3/3

NOMINATION OF DIRECTORS

The Company has not established a Nomination Committee. All Directors of the Company are responsible for making recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations.

During the year under review, two Board meetings were held to consider the appointment of Mr. Chang I-hua and Mr. Huang Ying-che, Michael as non-executive Directors and Mr. Wang Kuei-ching, Will as an independent non-executive Director by going through the selection process stated as above and the re-election of the Directors retired by rotation in accordance with the Company's Bye-Laws.

AUDITOR'S REMUNERATION

During the year, the remuneration paid to the Company's external auditor Messrs. Deloitte Touche Tohmatsu, in respect of audit services and tax consultancy services amounted to approximately HK$3,337,000 and HK$92,000 respectively.

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Group and for reviewing its effectiveness. During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

The Board is committed to implementing an effective and sound internal control system to safeguard the interest of shareholders and the Group's assets. The Board has delegated to executive management the implementation of the system of internal controls and reviewing of all relevant financial, operational, compliance controls and risk management function within an established framework.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 30 June 2008, which suitable accounting policies have been selected and applied consistently and the accounts have been prepared on the going concern basis.

INVESTOR RELATIONS AND COMMUNICATION

The Board is committed to provide clear and full information about the Group's performance to shareholders through the publication of interim results and annual results in a timely manner. In addition to dispatching circulars, notices and financial reports to shareholders, additional information is also available to shareholders on the website of the Company.

The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend annual general meetings for which the Company gives at least 21 days' notice.

The Chairman and Directors and external auditor are available to answer questions on the Company's businesses at the meeting.

Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual Directors. In addition, procedures for demanding a poll are included in the circular to shareholders dispatched together with the annual report.

On behalf of the Board

Yang Long-san, Rowell
Chairman and Chief Executive Officer

The Directors present their annual report and the audited consolidated financial statements of Proview International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries, principal associates and a jointly controlled entity are set out in notes 40, 17 and 18, respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2008 are set out in the consolidated income statement on page 32 of the annual report. No interim dividend was paid to the shareholders during the year ended 30 June 2008.

The Directors do not recommend the payment of a final dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately HK$105,269,000 on moulds and machinery and approximately HK$12,436,000 on furniture, equipment and motor vehicles to expand and upgrade its manufacturing and office facilities. The Group revalued its land and buildings at 30 June 2008, resulting in a revaluation surplus of approximately HK$67,012,000.

Details of these and other movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 30 June 2008 consisted of contributed surplus of approximately HK$162,374,000 (2007: HK$162,374,000) and retained profits of approximately HK$6,685,000 (2007: HK$10,010,000). In addition, the Company's share premium account of approximately HK$316,692,000 (2007: HK$172,724,000) as at 30 June 2008 is available for distribution in the form of fully paid bonus shares.

The contributed surplus of the Company arose as a result of the Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange thereof.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of a company is available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Yang Long-san, Rowell	
Mr. Wang Ming-chun, Morris	
Ms. Hui Siu-ling, Elina	
Mr. Chang Su-pong, Steve	(resigned on 5 January 2008)

Non-Executive Directors

Mr. Chang I-hua	(appointed on 5 January 2008)
Mr. Huang Ying-che, Michael	(appointed on 5 January 2008)

Independent Non-Executive Directors

Mr. Lau Siu-ki, Kevin	
Mr. Lee Chiu-kang, Alex	
Mr. Liu Zixian	
Mr. Wang Kuei-ching, Will	(appointed on 5 January 2008)

In accordance with Bye-Law 111(A) and 115 of the Company's Bye-Laws, Ms. Hui Siu-ling, Elina, Mr. Chang I-hua, Mr. Huang Ying-che, Michael, Mr. Lau Siu-ki, Kevin and Mr. Wang Kuei-ching, Will will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Yang Long-san, Rowell and Ms. Hui Siu-ling, Elina, the executive Directors, have entered into service contracts with the Company for a term of three years commencing from 1 June 1997. Subsequent to 31 May 2000, the service contracts are renewable automatically for successive terms of one year, subject to their termination by either party giving not less than six months' notice in writing to the other party.

Mr. Lee Chiu-kang, Alex, an independent non-executive Director, has entered into a service contract with the Company on 29 October 2003, for an initial term of two years deemed to commence from 26 May 1997. This service contract is renewable automatically for successive terms of two years, subject to his retirement by rotation in accordance with the Company's Bye-Laws. The service contract can also be terminated by either party giving not less than 90 days' notice in writing to the other party.

Except for Ms. Hui Siu-ling, Elina, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Mr. Yang Long-san, Rowell, aged 52, is the Chairman and Chief Executive Officer of the Company. He is the founder of the Group and has over 27 years' experience in the computer and electronics industry. He is responsible for the Group's overall strategic planning, policy making and financial decisions.

Mr. Wang Ming-chun, Morris, aged 54, is the Deputy Chairman of the Company. He joined the Group in February 1994. He holds a diploma in Electronic Engineering from Kun Shan University (formerly known as "Kun Shan Institute of Technology") of Taiwan. He has over 26 years' experience in the computer monitor industry. Mr. Wang is responsible for the operation and development of monitor related business of the Group.

Ms. Hui Siu-ling, Elina, aged 50, joined the Group in May 1994. Ms. Hui is responsible for the administration of the Group.

Non-Executive Directors

Mr. Chang I-hua, aged 56, joined the Group in January 2008. He is currently the president of Shan Chih Assets Development Company Limited ("Shan Chih"), a substantial shareholder of the Company, and a director of 大同股份有限公司 ("Tatung"), a company listed in Taiwan and the controlling shareholder of Shan Chih. He has over 32 years of experience in the electronic and home appliances trading and manufacturing industry and he served in Tatung as management, specialised in operating and marketing, for over 25 years. He holds a bachelor degree in Mechanical Engineering from Tatung University in Taiwan.

Mr. Huang Ying-che, Michael, aged 50, joined the Group in January 2008. He is the vice president of Tatung 3CBG Display BU of Global Logistics Headquarter and the chairman of the Tatung Information Technology Company in Jiangsu, the People's Republic of China (the "PRC"). He has served in Tatung for over 25 years and experienced in the electronic and telecommunication industry, and he is currently responsible for the management of research and development in Tatung. He holds a master degree in Electrical Engineering from the University of Missouri of the United States of America.

BIOGRAPHICAL DETAILS OF DIRECTORS *(continued)*

Independent Non-Executive Directors

Mr. Lau Siu-ki, Kevin, aged 50, joined the Company in September 2005, is currently an independent non-executive director for eight other public companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Lau has over 25 years' experience in corporate finance, financial advisory and management, accounting and auditing. Mr. Lau is currently a financial advisory consultant running his own management consultancy firm. Mr. Lau graduated from Hong Kong Polytechnic in 1981. He is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") and The Hong Kong Institute of Certified Public Accountants. Mr. Lau has been elected as a member of the global council of ACCA since 2002. He has also served on the executive committee of the Hong Kong branch of ACCA ("ACCA Hong Kong") since 1995, and was the chairman of ACCA Hong Kong in 2000/2001.

Mr. Lee Chiu-kang, Alex, aged 58, has been in the investment business, both in Canada and Hong Kong, for over 20 years. He has worked as the head of investment operations for several financial institutions. For each of his previous employment, he was responsible for investment strategies and for recruiting, training and supervising staff. Mr. Lee holds a Bachelor of Arts degree in Economics from the Golden Gate University of the United States of America. He is currently appointed by Development Research Center of Guangdong Government of China as a research fellow. Mr. Lee is also holding a post as adjunct professor in City University of Hong Kong.

Mr. Liu Zixian, aged 58, is a director of the Management Committee of Shenzhen Grand Industrial Zone and the Management Committee of Guangdong Shenzhen Export Processing Zone. Mr. Liu graduated from the North Communications University, the PRC in 1974 and has over 20 years of experience in administrative management, international economics and corporate management.

Mr. Wang Kuei-ching, Will, aged 55, joined the Group in January 2008. He has worked in banking industry, including commercial banks and investment banks, for over 15 years and he is currently the Chief Consulting Officer of Capital Market Department, Polaris Securities Co., Ltd.. Prior to his current job, he had held the position of Chief Financial Officer in various sizable corporations, including listed companies in Taiwan and Hong Kong, and he had won the Outstanding Financial Executive Award sponsored by the Financial Executive Institute Taiwan in 1994. He holds a master degree in Finance from Michigan State University of the United States of America.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2008, the interests and short positions held by the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in shares of the Company

Name of Director	Nature of interest	Number of ordinary shares held	Number of share options held	Total number of ordinary shares and share options held	Percentage of issued share capital
Mr. Yang Long-san, Rowell	Beneficial owner	7,000,000	4,800,000	11,800,000	1.53%
Mr. Wang Ming-chun, Morris	Beneficial owner	388,000	13,200,000	13,588,000	1.76%
Ms. Hui Siu-ling, Elina	Beneficial owner	–	5,800,000	5,800,000	0.75%
Mr. Lau Siu-ki, Kevin	Beneficial owner	–	400,000	400,000	0.05%
Mr. Lee Chiu-kang, Alex	Beneficial owner	200,000	1,000,000	1,200,000	0.16%
Mr. Liu Zixian	Beneficial owner	–	400,000	400,000	0.05%

Save as disclosed above and under the section headed "SHARE OPTIONS", none of the Directors, chief executives or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations.

SHARE OPTIONS

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 12 February 2003, the share option scheme (the "Scheme") currently operated by the Company was approved and adopted. At the date of this report, 37,700,899 ordinary shares are available for issue under the Scheme, representing 4.88% of the issued share capital of the Company.

Particulars of the Scheme are set out in note 32 to the consolidated financial statements.

SHARE OPTIONS *(continued)*

As at 30 June 2008, 13,950,000, 28,180,000, 24,000,000 and 39,500,000 share options at the exercise price of HK$1.04, HK$2.05, HK$1.70 and HK$1.02 respectively, remained outstanding under the Scheme and details of the movements of the said outstanding share options were as follows:

Date of share option granted *(note i)*: 24 March 2003
Exercise price *(note ii)*: HK$1.04

	Number of share options					
Name or category of participant	**As at 1 July 2007**	**Granted during the year**	**Exercised during the year**	**Lapsed/ cancellation during the year**	**As at 30 June 2008**	**Exercisable period of share options**
Directors						
Mr. Yang Long-san, Rowell	2,400,000	–	–	–	2,400,000	24 September 2003 – 23 March 2013
	2,400,000	–	–	–	2,400,000	24 March 2004 – 23 March 2013
	4,800,000	–	–	–	4,800,000	
Mr. Wang Ming-chun, Morris	2,500,000	–	–	–	2,500,000	24 September 2003 – 23 March 2013
	2,500,000	–	–	–	2,500,000	24 March 2004 – 23 March 2013
	5,000,000	–	–	–	5,000,000	
Mr. Lee Chiu-kang, Alex	100,000	–	–	–	100,000	24 September 2003 – 23 March 2013
	100,000	–	–	–	100,000	24 March 2004 – 23 March 2013
	200,000	–	–	–	200,000	
Sub-total	10,000,000	–	–	–	10,000,000	
Other employees and former Directors						
In aggregate	1,450,000	–	–	–	1,450,000 (iii)	24 September 2003 – 23 March 2013
	750,000	–	–	(750,000) (iv)	–	24 September 2003 – 18 May 2008
	2,500,000	–	–	–	2,500,000 (iii)	24 March 2004 – 23 March 2013
	750,000	–	–	(750,000) (iv)	–	24 March 2004 – 18 May 2008
	5,450,000	–	–	(1,500,000)	3,950,000	
Total	15,450,000	–	–	(1,500,000)	13,950,000	

SHARE OPTIONS *(continued)*

Date of share option granted *(note i)*: 11 February 2004
Exercise price *(note ii)*: HK$2.05

Name or category of participant	Number of share options: As at 1 July 2007	Granted during the year	Exercised during the year	Lapsed/ cancellation during the year	As at 30 June 2008	Exercisable period of share options
Directors						
Mr. Wang Ming-chun, Morris	400,000	–	–	–	400,000	16 February 2005 – 10 February 2014
	400,000	–	–	–	400,000	16 August 2005 – 10 February 2014
	400,000	–	–	–	400,000	16 February 2006 – 10 February 2014
	1,200,000	–	–	–	1,200,000	
Ms. Hui Siu-ling, Elina	66,000	–	–	–	66,000	16 February 2005 – 10 February 2014
	66,000	–	–	–	66,000	16 August 2005 – 10 February 2014
	68,000	–	–	–	68,000	16 February 2006 – 10 February 2014
	200,000	–	–	–	200,000	
Mr. Lee Chiu-kang, Alex	66,000	–	–	–	66,000	16 February 2005 – 10 February 2014
	66,000	–	–	–	66,000	16 August 2005 – 10 February 2014
	68,000	–	–	–	68,000	16 February 2006 – 10 February 2014
	200,000	–	–	–	200,000	
Sub-total	1,600,000	–	–	–	1,600,000	
Other employees and former Directors						
In aggregate	9,500,000	–	–	(204,000)	9,296,000 [iii]	16 February 2005 – 10 February 2014
	200,000	–	–	(200,000) [v]	–	16 February 2005 – 18 May 2008
	9,589,000	–	–	(211,000)	9,378,000 [iii]	16 August 2005 – 10 February 2014
	200,000	–	–	(200,000) [v]	–	16 August 2005 – 18 May 2008
	7,906,000	–	–	–	7,906,000 [iii]	16 February 2006 – 10 February 2014
	200,000	–	–	(200,000) [v]	–	16 February 2006 – 18 May 2008
	27,595,000	–	–	(1,015,000)	26,580,000	
Total	29,195,000	–	–	(1,015,000)	28,180,000	

SHARE OPTIONS *(continued)*

Date of share option granted *(note i)*: 13 February 2006
Exercise price *(note ii)*: HK$1.70

	Number of share options					
Name or category of participant	**As at 1 July 2007**	**Granted during the year**	**Exercised during the year**	**Lapsed/ cancellation during the year**	**As at 30 June 2008**	**Exercisable period of share options**
Directors						
Mr. Wang Ming-chun, Morris	1,000,000	–	–	–	1,000,000	1 July 2006 – 31 December 2008
	1,000,000	–	–	–	1,000,000	1 January 2007 – 31 December 2008
	2,000,000	–	–	–	2,000,000	
Ms. Hui Siu-ling, Elina	300,000	–	–	–	300,000	1 July 2006 – 31 December 2008
	300,000	–	–	–	300,000	1 January 2007 – 31 December 2008
	600,000	–	–	–	600,000	
Mr. Lau Siu-ki, Kevin	100,000	–	–	–	100,000	1 July 2006 – 31 December 2008
	100,000	–	–	–	100,000	1 January 2007 – 31 December 2008
	200,000	–	–	–	200,000	
Mr. Lee Chiu-kang, Alex	200,000	–	–	–	200,000	1 July 2006 – 31 December 2008
	200,000	–	–	–	200,000	1 January 2007 – 31 December 2008
	400,000	–	–	–	400,000	
Mr. Liu Zixian	100,000	–	–	–	100,000	1 July 2006 – 31 December 2008
	100,000	–	–	–	100,000	1 January 2007 – 31 December 2008
	200,000	–	–	–	200,000	
Sub-total	3,400,000	–	–	–	3,400,000	
Other employees and former Directors						
In aggregate	10,300,000	–	–	–	10,300,000 (iii)	1 July 2006 – 31 December 2008
	500,000	–	–	(500,000) (vi)	–	1 July 2006 – 18 May 2008
	10,300,000	–	–	–	10,300,000 (iii)	1 January 2007 – 31 December 2008
	500,000	–	–	(500,000) (vi)	–	1 January 2007 – 18 May 2008
	21,600,000	–	–	(1,000,000)	20,600,000	
Total	25,000,000	–	–	(1,000,000)	24,000,000	

SHARE OPTIONS *(continued)*

Date of share option granted *(note i and vii)*: 14 November 2007
Exercise price *(note ii)*: HK$1.02

Name or category of participant	Number of share options: As at 1 July 2007	Granted during the year	Exercised during the year	Lapsed/ cancellation during the year	As at 30 June 2008	Exercisable period of share options
Directors						
Mr. Wang Ming-chun, Morris	–	2,500,000	–	–	2,500,000	1 December 2007 – 31 December 2013
	–	2,500,000	–	–	2,500,000	1 June 2008 – 31 December 2013
	–	5,000,000	–	–	5,000,000	
Ms. Hui Siu-ling, Elina	–	2,500,000	–	–	2,500,000	1 December 2007 – 31 December 2013
	–	2,500,000	–	–	2,500,000	1 June 2008 – 31 December 2013
	–	5,000,000	–	–	5,000,000	
Mr. Lau Siu-ki, Kevin	–	100,000	–	–	100,000	1 December 2007 – 31 December 2013
	–	100,000	–	–	100,000	1 June 2008 – 31 December 2013
	–	200,000	–	–	200,000	
Mr. Lee Chiu-kang, Alex	–	100,000	–	–	100,000	1 December 2007 – 31 December 2013
	–	100,000	–	–	100,000	1 June 2008 – 31 December 2013
	–	200,000	–	–	200,000	
Mr. Liu Zixian	–	100,000	–	–	100,000	1 December 2007 – 31 December 2013
	–	100,000	–	–	100,000	1 June 2008 – 31 December 2013
	–	200,000	–	–	200,000	
Sub-total	–	10,600,000	–	–	10,600,000	
Other employees						
In aggregate	–	14,450,000	–	–	14,450,000	1 December 2007 - 31 December 2013
	–	14,450,000	–	–	14,450,000	1 June 2008 - 31 December 2013
	–	28,900,000	–	–	28,900,000	
Total	–	39,500,000	–	–	39,500,000	

SHARE OPTIONS *(continued)*

Notes:

(i) The vesting period of share options is from the date of the grant until the commencement of the exercise period.

(ii) The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(iii) The balance includes the share options held by Mr. Chang Su-pong, Steve, who resigned as an executive Director of the Company on 5 January 2008.

(iv) The amounts represent share options granted to Mr. Wong Kui-ming, Luffer, a former Director of the Company, with the last date of the exercise period of share options changed from 23 March 2013 to 18 May 2008 as a result of his resignation on 19 May 2006.

(v) The amounts represent share options granted to Mr. Wong Kui-ming, Luffer, a former Director of the Company, with the last date of the exercise period of share options changed from 10 February 2014 to 18 May 2008 as a result of his resignation on 19 May 2006.

(vi) The amounts represent share options granted to Mr. Wong Kui-ming, Luffer, a former Director of the Company, with the last date of the exercise period of share options changed from 31 December 2008 to 18 May 2008 as a result of his resignation on 19 May 2006.

(vii) The closing price of the Company's shares on the trading day immediately before the date of the grant was HK$1.01.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed under the heading "SHARE OPTIONS", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed under the heading "CONNECTED TRANSACTIONS", there was no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2008, the interests and short positions of the substantial shareholders in more than 5% of the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of the SFO; or which were recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name of substantial shareholder	Capacity and nature of interest	Number of ordinary shares held	Percentage of issued share capital
Peipus International Ltd. ("Peipus") *(note i)*	Beneficial owner	231,562,724	29.99%
Smartview Invest Limited ("Smartview")	Interest in controlled corporation *(note i)*	231,562,724	29.99%
Mr. Yang Christian Laurent Tan ("Christian")	Interest in controlled corporation *(note i)*	231,562,724	29.99%
San-Chih Asset International Holding Corp. ("San-Chih") *(note ii)*	Beneficial owner	125,190,000	16.22%
Shan Chih	Interest in controlled corporation *(note ii)*	125,190,000	16.22%
Tatung	Interest in controlled corporation *(note ii)*	125,190,000	16.22%

Notes:

(i) The entire issued share capital of Peipus is owned by Smartview which in turn, approximately 99.85% of the issued share capital of Smartview is owned by Christian. Accordingly, Smartview and Christian are deemed to be interested in all the shares in which Peipus is interested in pursuant to the SFO.

(ii) The entire issued share capital of San-Chih is owned by Shan Chih which in turn, the entire issued share capital of Shan Chih is owned by Tatung. Accordingly, Shan Chih and Tatung are deemed to be interested in all the shares in which San-Chih is interested in pursuant to the SFO.

Save as disclosed under the heading "SHARE OPTIONS", the Company has not been notified of any other relevant interests or share positions in the issued share capital of the Company as at 30 June 2008, which were recorded in the register as required to be kept pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group entered into the following transactions which constituted "continuing connected transactions" or "connected transactions" under the Listing Rules.

(a) During the year, the Group paid operating lease rentals in respect of land and buildings and plant and machinery of approximately HK$995,000 to Isystems Technology, Inc., a company of which Mr. Yang Long-san, Rowell and Mr. Yang Yun-tsai (father of Mr. Yang Long-san, Rowell) owns 19.4% and 16.8% of the issued share capital, respectively. The value of the aggregate rental does not exceed the thresholds under Rule 14A.34 of the Listing Rules.

(b) On 23 May 2008, the Company entered into three agreements in respect of the following continuing connected transactions with Tatung and its subsidiaries (collectively known as the "Tatung Group"), a substantial shareholder of the Company and it associates within the meaning of the Listing Rules, for a period of three years up to 30 June 2010. Details of these agreements are set out in the Company's announcement dated 26 May 2008 and circular dated 7 June 2008.

    (1) the Group supplies the liquid crystal display (the "LCD") television sets ("TVs"), the plasma display panel (the "PDP") TVs and the other related equipments to Tatung Group;

    (2) the Tatung Group supplies the LCD monitor panels, the LCD TV panels, the LCD TVs, the PDP TVs and the other related equipments to the Group; and

    (3) the Tatung Group provides the manufacturing and processing services for the Group's digital consumer products.

    Details of these continuing connected transactions for the year are set out in note 38 to the consolidated financial statements.

    Pursuant to Rule 14A.38 of the Listing Rules, the board of Directors (the "Board") of the Company engaged the auditor of the Company to perform certain factual finding procedures on these continuing connected transactions of the Group to assist the independent non-executive Directors of the Company to evaluate whether such transactions:

    (i) have received the approval of the Board;

    (ii) were entered into in accordance with the pricing policies of the Group with reference to similar transactions with independent third parties;

    (iii) have been entered into in accordance with the terms of the relevant agreements governing such transactions; and

    (iv) have not exceeded the relevant cap amount for the year ended 30 June 2008 as set out in the circular of the Company dated 7 June 2008.

CONNECTED TRANSACTIONS *(continued)*

The auditors of the Company have reported their factual findings on these procedures to the Board.

The independent non-executive Directors of the Company have reviewed and confirmed that the continuing connected transactions as set out above have been entered into:

(i) in the ordinary and usual course of the business of the Group;

(ii) either on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company, as a whole.

Save as disclosed above, there were no other transactions which are required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers in aggregate accounted for approximately 44% of the total revenue of the Group and the largest customer accounted for approximately 12% of the total revenue of the Group. The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 46% of the total purchases of the Group and the largest supplier accounted for approximately 20% of the total purchases of the Group.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company which to the knowledge of the Directors owns more than 5% of the Company's issued share capital, have an interest in any of the five largest customers and suppliers of the Group.

EMOLUMENT POLICY

The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the Directors of the Company are decided by the Board, as authorised by the shareholders at the annual general meeting, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company maintains a share option scheme, pursuant to which, share options are granted to selected eligible participants, with a view to provide incentive to the options holders to participate and contribute the growth of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the Companies Act 1981 of Bermuda (as amended), which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied throughout the year ended 30 June 2008 with most of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. Please refer to the Corporate Governance Report as set out on pages 10 to 16 of this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code regarding securities transactions by directors as set out in Appendix 10 to the Listing Rules during the relevant accounting period and all Directors have complied with the required standard of dealings set out therein.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

AUDIT COMMITTEE

The Group's consolidated financial statements for the year ended 30 June 2008 have been reviewed by the Audit Committee of the Company, which is of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors of the Company, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the year.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Yang Long-san, Rowell
Chairman and Chief Executive Officer

Hong Kong, 22 October 2008

Deloitte.
德勤

TO THE MEMBERS OF PROVIEW INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Proview International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 95, which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2008 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 October 2008

Consolidated Income Statement

For the year ended 30 June 2008

	NOTES	2008 HK$'000	2007 HK$'000
Revenue		**17,394,950**	15,650,016
Cost of sales		**(16,258,158)**	(14,568,602)
Gross profit		**1,136,792**	1,081,414
Other income	7	**91,233**	57,410
Net foreign exchange gain		**378,030**	27,607
Selling and distribution expenses		**(711,206)**	(384,111)
Administrative expenses		**(465,216)**	(329,704)
Research and development costs		**(94,148)**	(76,762)
Other expenses		**(4,015)**	(1,330)
Share of results of associates		**(21,460)**	(1,407)
Changes in fair value of derivative financial instruments	25	**(80,728)**	–
Finance costs	8	**(279,364)**	(202,650)
(Loss) profit before taxation		**(50,082)**	170,467
Income tax expense	9	**(216)**	(27,679)
(Loss) profit for the year	10	**(50,298)**	142,788
Attributable to:			
Equity holders of the Company		**(61,642)**	127,103
Minority interests		**11,344**	15,685
		(50,298)	142,788
Dividends recognised as distribution	12	**11,580**	32,342
		HK cents	HK cents
(Loss) earnings per share – basic and diluted	13	**(8.36)**	19.65

Consolidated Balance Sheet

At 30 June 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-current Assets			
Property, plant and equipment	14	**1,125,538**	918,594
Prepaid lease payments	15	**66,478**	64,353
Intangible assets	16	**46,400**	52,200
Investments in associates	17	**22,379**	38,747
Investment in a jointly controlled entity	18	**–**	–
Available-for-sale investments	19	**13,478**	198
Prepayments and deposits	20	**3,474**	11,314
		1,277,747	1,085,406
Current Assets			
Inventories	21	**2,920,257**	2,862,964
Properties held for sale	22	**86,999**	67,302
Trade and bills receivables	23	**1,861,423**	2,038,417
Prepayments, deposits and other receivables		**486,884**	375,716
Prepaid lease payments	15	**1,802**	1,717
Amount due from a jointly controlled entity	24	**–**	1,000
Derivative financial instruments	25	**37,195**	–
Pledged bank deposits	26	**152,856**	203,854
Bank balances and cash	26	**1,146,938**	1,267,930
		6,694,354	6,818,900
Current Liabilities			
Trade and bills payables	27	**3,221,356**	3,898,181
Accruals and other payables		**346,679**	211,009
Amount due to an associate	24	**975**	975
Taxation payable		**26,259**	56,341
Derivative financial instruments	25	**117,923**	–
Bank borrowings – due within one year	28	**2,301,576**	2,191,230
Obligations under finance leases – due within one year	29	**5,315**	4,963
		6,020,083	6,362,699
Net Current Assets		**674,271**	456,201
Total Assets less Current Liabilities		**1,952,018**	1,541,607
Capital and Reserves			
Share capital	30	**77,200**	64,681
Reserves		**1,292,696**	1,109,885
Equity attributable to equity holders of the Company		**1,369,896**	1,174,566
Minority interests		**101,198**	73,615
Total Equity		**1,471,094**	1,248,181
Non-current Liabilities			
Bank borrowings – due after one year	28	**397,119**	229,498
Obligations under finance leases – due after one year	29	**46,380**	46,674
Deferred taxation	31	**37,425**	17,254
		480,924	293,426
		1,952,018	1,541,607

The consolidated financial statements on pages 32 to 95 were approved and authorised for issue by the Board of Directors on 22 October 2008 and are signed on its behalf by:

Yang Long-san, Rowell	**Hui Siu-ling, Elina**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 30 June 2008

	Attributable to equity holders of the Company												
	Share capital	Share premium	Contributed surplus	Asset revaluation reserve	Investment revaluation reserve	Share-based compensation reserve	Exchange reserve	Capital reserve	Statutory reserve	Retained profits	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2006	64,681	172,724	40,824	38,341	–	30,396	34,576	193,643	20,089	451,688	1,046,962	63,866	1,110,828
Surplus on revaluation	–	–	–	11,574	–	–	–	–	–	–	11,574	2,085	13,659
Deferred tax liabilities arising on revaluation of properties	–	–	–	(4,624)	–	–	–	–	–	–	(4,624)	(1,902)	(6,526)
Gain on fair value changes of available-for-sale investments	–	–	–	–	82	–	–	–	–	–	82	–	82
Exchange differences arising on translation of operations outside Hong Kong	–	–	–	–	–	–	23,394	–	–	–	23,394	3,991	27,385
Share of exchange reserves of associates	–	–	–	–	–	–	(1,427)	–	–	–	(1,427)	–	(1,427)
Net income recognised directly in equity	–	–	–	6,950	82	–	21,967	–	–	–	28,999	4,174	33,173
Profit for the year	–	–	–	–	–	–	–	–	–	127,103	127,103	15,685	142,788
Total recognised income for the year	–	–	–	6,950	82	–	21,967	–	–	127,103	156,102	19,859	175,961
Transfer to capital reserve	–	–	–	–	–	–	–	113,608	–	(113,608)	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	3,844	–	–	–	–	3,844	–	3,844
Release upon lapse of vested share options	–	–	–	–	–	(6,833)	–	–	–	6,833	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	2,844	(2,844)	–	–	–
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(10,110)	(10,110)
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(32,342)	(32,342)	–	(32,342)
At 30 June 2007	64,681	172,724	40,824	45,291	82	27,407	56,543	307,251	22,933	436,830	1,174,566	73,615	1,248,181
Surplus on revaluation	–	–	–	49,706	–	–	–	–	–	–	49,706	17,306	67,012
Deferred tax liabilities arising on revaluation of properties	–	–	–	(15,845)	–	–	–	–	–	–	(15,845)	(4,326)	(20,171)
Loss on fair value changes of available-for-sale investments	–	–	–	–	(82)	–	–	–	–	–	(82)	–	(82)
Exchange differences arising on translation of operations outside Hong Kong	–	–	–	–	–	–	59,275	–	–	–	59,275	7,912	67,187
Share of exchange reserves of associates	–	–	–	–	–	–	5,476	–	–	–	5,476	–	5,476
Net income (expense) recognised directly in equity	–	–	–	33,861	(82)	–	64,751	–	–	–	98,530	20,892	119,422
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	(61,642)	(61,642)	11,344	(50,298)
Total recognised income (expense) for the year	–	–	–	33,861	(82)	–	64,751	–	–	(61,642)	36,888	32,236	69,124
Recognition of equity-settled share-based payments	–	–	–	–	–	13,535	–	–	–	–	13,535	–	13,535
Release upon lapse of vested share options	–	–	–	–	–	(983)	–	–	–	983	–	–	–
Transfer to statutory reserve	–	–	–	–	–	–	–	–	3,525	(3,525)	–	–	–
New shares issued	12,519	143,968	–	–	–	–	–	–	–	–	156,487	–	156,487
Capital contribution by a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	2,986	2,986
Dividend paid to a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(7,639)	(7,639)
Dividend recognised as distribution	–	–	–	–	–	–	–	–	–	(11,580)	(11,580)	–	(11,580)
At 30 June 2008	77,200	316,692	40,824	79,152	–	39,959	121,294	307,251	26,458	361,066	1,369,896	101,198	1,471,094

The contributed surplus of the Group arose as a result of the Group reorganisation in 1997 and represents the difference between the aggregate amount of the nominal values of the share capital of the subsidiaries acquired under the reorganisation scheme and the nominal value of the share capital of the Company issued in exchange.

The capital reserve of the Group represents capitalisation of retained profits of subsidiaries as the paid up capital of the respective subsidiaries. All such amounts were transferred to the capital reserve of the Group on consolidation.

As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), certain subsidiaries of the Company in the PRC are required to maintain a statutory reserve fund which is non-distributable. Appropriations to this reserve fund are made out of net profit after taxation of the subsidiaries' PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC. The amount and allocation basis are decided by the board of directors of the subsidiaries annually and is not less than 10% of the net profit after taxation of the subsidiaries for that year.

Consolidated Cash Flow Statement

For the year ended 30 June 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(50,082)**	170,467
Adjustments for:		
Amortisation of intangible assets	**5,800**	5,800
Changes in fair value of derivative financial instruments	**80,728**	–
Depreciation of property, plant and equipment	**158,038**	128,380
Finance costs	**279,364**	202,650
Impairment loss on amount due from a jointly controlled entity	**1,000**	–
Impairment loss on available-for-sale investments	**539**	–
Interest income	**(35,214)**	(28,502)
Loss on disposal of property, plant and equipment	**4,109**	1,300
Release of prepaid lease payments	**1,749**	1,577
(Reversal of) impairment loss on trade receivables	**(3,277)**	2,019
Share of results of associates	**21,460**	1,407
Share-based payment expenses	**13,535**	3,844
Write-down of inventories	**48,962**	9,926
Operating cash flows before working capital changes	**526,711**	498,868
Increase in inventories	**(106,255)**	(944,269)
Decrease (increase) in trade and bills receivables	**173,711**	(158,865)
Increase in prepayments, deposits and other receivables	**(111,168)**	(43,174)
(Decrease) increase in trade and bills payables	**(676,825)**	139,732
Increase (decrease) in accruals and other payables	**97,810**	(667)
Cash used in operations	**(96,016)**	(508,375)
Hong Kong Profits Tax paid	**–**	(64)
Overseas tax paid	**(30,298)**	(23,691)
NET CASH USED IN OPERATING ACTIVITIES	**(126,314)**	(532,130)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(214,373)**	(308,821)
Acquisition of available-for-sale investments	**(13,655)**	–
Decrease (increase) in pledged bank deposits	**50,998**	(23,986)
Interest received	**35,214**	28,502
Proceeds from disposal of property, plant and equipment	**3,765**	17,268
Dividend received from an associate	**384**	–
Additions to prepaid lease payments	**–**	(22,974)
Increase in prepayments and deposits	**–**	(11,314)
Investment in an associate	**–**	(2,330)
NET CASH USED IN INVESTING ACTIVITIES	**(137,667)**	(323,655)

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
New bank borrowings raised	**7,515,869**	4,856,645
Proceeds from issue of new shares	**156,487**	–
Capital injection by a minority shareholder of a subsidiary	**2,986**	–
Repayments of bank borrowings	**(7,264,488)**	(4,198,592)
Interest paid	**(279,063)**	(202,367)
Dividends paid to equity holders of the Company	**(11,580)**	(32,342)
Dividends paid to minority shareholders of subsidiaries	**(7,639)**	(10,110)
Repayments of obligations under finance leases	**(5,161)**	(4,972)
Interest paid on finance leases	**(301)**	(283)
Repayment to a former associate	**–**	(6,220)
NET CASH FROM FINANCING ACTIVITIES	**107,110**	401,759
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(156,871)**	(454,026)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**1,267,930**	1,703,225
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**35,879**	18,731
CASH AND CASH EQUIVALENTS CARRIED FORWARD, representing bank balances and cash	**1,146,938**	1,267,930

1. GENERAL

The Company is a public company incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and the principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries, principal associates and a jointly controlled entity are set out in notes 40, 17 and 18, respectively.

Although the Group had net cash outflow from operating activities of approximately HK$126,314,000 and incurred a loss of approximately HK$50,298,000 for the year ended 30 June 2008, the directors of the Company are satisfied that with the existing resources and banking facilities available to the Group, the Group has sufficient working capital for its current requirements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 July 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) - Int 12	Service Concession Arrangements[4]
HK(IFRIC) - Int 13	Customer Loyalty Programmes[5]
HK(IFRIC) - Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation[6]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective from 1 July 2008
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008
6 Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new, revised or amended standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and properties, which are measured at fair values or revalued amounts, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*
Any revaluation increase arising on revaluation of land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the asset revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or fair value of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is stated at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Intangible assets
Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investment in a jointly controlled entity

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in a jointly controlled entity is carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entity, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in a jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in a jointly controlled entity *(continued)*
When a group entity transacts with the jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Financial instruments
Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified as cash, loans and receivables, available-for-sale financial assets and derivative financial instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the asset on initial recognition. Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, amount due from a jointly controlled entity, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*
Financial assets (continued)

Impairment of financial assets *(continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are classified as other financial liabilities and derivative financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*
Financial liabilities and equity (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the liability on initial recognition. Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and bills payables, other payables, amount due to an associate, bank borrowings and obligations under finance leases) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and realisable value. Cost is calculated using the weighted average method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value on an individual property basis.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and a jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment losses on tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible and intangible assets *(continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Revenue recognition

Revenue is measured at the fair value of the consideration received or recoverable and represents amounts receivable for goods sold in the normal course of business net of discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

In relation to share options granted and vested before 1 July 2005, the Group did not recognise the financial effect of those share options until they were exercised.

For share options granted to directors and employees of the Group after 7 November 2002 and vested on or after 1 July 2005, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share-based compensation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

At the time when the share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to retained profits.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings, obligations under finance leases, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves. The Group's bank borrowings are currently secured by certain of the Group's assets as detailed in respective notes and guaranteed by the Group's subsidiaries and the Company.

4. CAPITAL RISK MANAGEMENT *(continued)*

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will also balance its overall capital structure through the payment of dividends, new share issues and share buybacks as well as the issue of new debt or the redemption of existing debt, if necessary.

5. FINANCIAL INSTRUMENTS

5a. Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	3,376,352	3,753,787
Derivative financial instruments	37,195	–
Available-for-sale financial assets	13,478	198
Financial liabilities		
At amortised cost	6,161,859	6,463,867
Derivative financial instruments	117,923	–

5b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and bills receivables, other receivables, derivative financial instruments, amount due from a jointly controlled entity, pledged bank deposits, bank balances and cash, trade and bills payables, other payables, amount due to an associate, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain entities in the Group have foreign currency transactions, investments and borrowings, which expose the Group to foreign currency risk.

The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group is currently using foreign currency forward contracts to hedge the significant foreign currency exposure.

5. FINANCIAL INSTRUMENTS *(continued)*

5b. Financial risk management objectives and policies *(continued)*
Market risk *(continued)*

Currency risk *(continued)*

The carrying amounts of foreign currency denominated monetary assets, monetary liabilities and derivative financial instruments of the Group at the reporting date that are considered significant by management are as follows:

	Assets		Liabilities	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
United States Dollars ("US$")	**995,648**	643,218	**4,381,160**	3,743,539
Renminbi ("RMB")	**633,781**	850,583	**510,940**	42,823

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% increase in foreign currency rates. A positive (negative) number below indicates an increase (a decrease) in profit before taxation or equity where the functional currencies of the relevant group entities strengthen against the relevant foreign currencies. For a 5% weakening of the functional currencies of the relevant group entities against the relevant foreign currencies, there would be an equal and opposite impact on the profit before taxation or equity.

	Profit before taxation		Equity	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
US$	**161,215**	147,634	–	–
RMB	**(5,211)**	(38,465)	(638)	–

5. FINANCIAL INSTRUMENTS *(continued)*

5b. Financial risk management objectives and policies *(continued)*
Market risk *(continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate pledged bank deposits and bank borrowings (see note 28 for details of the borrowings). In relation to those fixed-rate bank borrowings, the Group aims to keep loans at rates that are comparable to those in the market. In order to achieve this result, the Group negotiated with the banks and entered into various revolving loans such that interest rates associated with the loans are more or less variable. In this regard, the directors of the Company consider that the Group's fair value interest rate risk is minimal.

The Group is also exposed to cash flow interest rate risk as its bank balances and certain of its bank borrowings are subject to interest at floating interest rates (see note 28 for details of the borrowings). It is the Group's policy to keep its borrowings at floating-rate of interests so as to minimise the fair value interest rate risk. Management will also consider hedging significant interest rate exposure should the needs arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly related to the fluctuation of market interest rates, mainly London Interbank Offered Rate.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for floating-rate bank balances and bank borrowings at the balance sheet date. The analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before taxation for the year would decrease/increase by approximately HK$6,232,000 (2007: increase/decrease by approximately HK$942,000).

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities.

For the equity price risk, management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

Sensitivity analysis

If the price of the Group's equity investments had been 5% higher/lower and all other variables were held constant, the Group's investment revaluation reserve would increase/decrease by approximately HK$674,000 (2007: HK$10,000).

5. FINANCIAL INSTRUMENTS *(continued)*

5b. Financial risk management objectives and policies *(continued)*

Credit risk

As at 30 June 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. In order to minimise the credit risk, management of the Group has implemented internal control procedures for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of trade debt on a collective basis at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group has no concentration of credit risk, with exposure spread over a number of counterparties.

Liquidity risk

The Group's liquidity position is monitored closely by the management of the Company. The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

5. FINANCIAL INSTRUMENTS *(continued)*

5b. Financial risk management objectives and policies *(continued)*
Liquidity risk *(continued)*

Derivative financial instruments require gross or net settlement, the undiscounted gross (inflows) and outflows on these derivatives determined based on the contracted rates are shown in the table.

	Weighted average effective interest rate	Less than 1 month	1–3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 30.6.2008
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2008							
Non-derivative financial instruments							
Trade, bills and other payables	–	2,653,783	682,643	74,068	–	3,410,494	3,410,494
Amount due to an associate	–	975	–	–	–	975	975
Bank borrowings							
– fixed-rate	4.64	36,852	65,073	154,736	57,508	314,169	305,342
– floating-rate	5.95	1,103,481	586,708	558,820	387,921	2,636,930	2,393,353
Obligations under finance leases	4.00	443	1,365	4,181	62,793	68,782	51,695
		3,795,534	1,335,789	791,805	508,222	6,431,350	6,161,859
Derivative financial instruments – gross settlement							
Foreign exchange forward contracts							
Sell US$, buy RMB							
– inflow	–	(148,134)	(187,116)	(452,197)	–	(787,447)	N/A
– outflow	–	139,270	177,594	459,536	–	776,400	N/A
		(8,864)	(9,522)	7,339	–	(11,047)	(11,047)
Sell RMB, buy US$							
– inflow	–	(437,993)	(150,189)	(787,340)	–	(1,375,522)	N/A
– outflow	–	440,508	153,722	798,579	–	1,392,809	N/A
		2,515	3,533	11,239	–	17,287	17,287
Derivative financial instruments – net settlement							
Foreign exchange forward contracts							
Sell RMB, buy US$ – outflow	–	14,692	19,992	39,751	–	74,435	74,435
Sell US$, buy HK$ – inflow	–	53	–	–	–	53	53

5. FINANCIAL INSTRUMENTS *(continued)*

5b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 30.6.2007
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007							
Non-derivative financial instruments							
Trade, bills and other payables	–	3,166,978	771,927	51,622	–	3,990,527	3,990,527
Amount due to an associate	–	975	–	–	–	975	975
Bank borrowings							
– fixed-rate	5.51	154,330	417,966	852,810	–	1,425,106	1,341,201
– floating-rate	5.95	206,490	125,594	741,402	272,843	1,346,329	1,079,527
Obligations under finance leases	4.00	417	1,275	3,725	62,101	67,518	51,637
		3,529,190	1,316,762	1,649,559	334,944	6,830,455	6,463,867

5c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of available-for-sale investments (excluding derivative financial instruments) traded on active liquid market are determined with reference to quoted market bid prices;

- the fair values of derivative financial instruments are calculated in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from financial institutions; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. SEGMENTAL INFORMATION

Segmental information is presented by way of two segment formats:

(i) on a primary segment reporting basis, by business segment; and

(ii) on a secondary segment reporting basis, by geographical segment.

Business Segment

The Group's operating businesses are structured and managed separately, according to the nature of their operations, and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summarised details of each of the business segments are as follows:

(a) the liquid crystal display ("LCD") monitors segment, which engages in the manufacturing, trading and distribution of LCD monitors;

(b) the thin-film transistor ("TFT")-LCD televisions segment, which engages in the manufacturing, trading and distribution of TFT-LCD televisions;

(c) the cathode ray tube ("CRT") monitors segment, which engages in the manufacturing, trading and distribution of CRT monitors; and

(d) the others segment, which engages in the manufacturing, trading and distribution of computer monitor components, non-TFT-LCD televisions as well as audio and video products other than monitors and televisions.

6. SEGMENTAL INFORMATION *(continued)*

Business Segment *(continued)*

For the year ended 30 June 2008

	LCD monitors HK$'000	TFT-LCD televisions HK$'000	CRT monitors HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
CONSOLIDATED INCOME STATEMENT						
REVENUE						
Sales to external customers	7,613,034	7,995,475	1,282,514	503,927	–	17,394,950
Inter-segment sales *	–	–	–	6,097	(6,097)	–
	7,613,034	7,995,475	1,282,514	510,024	(6,097)	17,394,950
RESULTS						
Segmental results	56,844	59,263	4,600	238	–	120,945
Unallocated corporate income						469,263
Unallocated corporate expenses						(258,738)
Share of results of associates	–	–	–	(21,460)	–	(21,460)
Changes in fair value of derivative financial instruments						(80,728)
Finance costs						(279,364)
Loss before taxation						(50,082)
Income tax expense						(216)
Loss for the year						(50,298)

* In the opinion of the directors of the Company, inter-segment sales were charged at cost plus a percentage markup.

6. SEGMENTAL INFORMATION *(continued)*

Business Segment *(continued)*

For the year ended 30 June 2007

	LCD monitors HK$'000	TFT-LCD televisions HK$'000	CRT monitors HK$'000	Others HK$'000	Elimination HK$'000	Consolidated HK$'000
CONSOLIDATED INCOME STATEMENT						
REVENUE						
Sales to external customers	10,583,064	3,666,156	1,315,243	85,553	–	15,650,016
Inter-segment sales *	–	–	–	127,492	(127,492)	–
	10,583,064	3,666,156	1,315,243	213,045	(127,492)	15,650,016
RESULTS						
Segmental results	286,593	93,750	12,779	713	–	393,835
Unallocated corporate income						85,017
Unallocated corporate expenses						(104,328)
Share of results of associates	–	–	–	(1,407)	–	(1,407)
Finance costs						(202,650)
Profit before taxation						170,467
Income tax expense						(27,679)
Profit for the year						142,788

* In the opinion of the directors of the Company, inter-segment sales were charged at cost plus a percentage markup.

6. SEGMENTAL INFORMATION *(continued)*

Business Segment *(continued)*

As at 30 June 2008

	LCD monitors HK$'000	TFT-LCD televisions HK$'000	CRT monitors HK$'000	Others HK$'000	Consolidated HK$'000
CONSOLIDATED BALANCE SHEET					
ASSETS					
Segment assets	2,764,842	3,015,991	509,113	247,819	6,537,765
Investments in associates	–	–	–	22,379	22,379
Unallocated corporate assets					1,411,957
Consolidated total assets					7,972,101
LIABILITIES					
Segment liabilities	1,823,679	1,372,064	109,900	253,849	3,559,492
Bank borrowings					2,698,695
Obligations under finance leases					51,695
Unallocated corporate liabilities					191,125
Consolidated total liabilities					6,501,007

For the year ended 30 June 2008

	LCD monitors HK$'000	TFT-LCD televisions HK$'000	CRT monitors HK$'000	Others HK$'000	Consolidated HK$'000
OTHER INFORMATION					
Capital additions	149,948	97,405	4,975	7,745	260,073
Depreciation of property, plant and equipment	66,792	59,769	13,008	18,469	158,038
Release of prepaid lease payments	620	742	98	289	1,749
Reversal of impairment loss on trade receivables	(907)	(1,321)	(389)	(660)	(3,277)
Write-down of inventories	25,931	15,850	5,373	1,808	48,962

6. SEGMENTAL INFORMATION *(continued)*

Business Segment *(continued)*

As at 30 June 2007

	LCD monitors HK$'000	TFT-LCD televisions HK$'000	CRT monitors HK$'000	Others HK$'000	Consolidated HK$'000
CONSOLIDATED BALANCE SHEET					
ASSETS					
Segment assets	3,138,424	2,094,766	635,453	404,432	6,273,075
Investments in associates	–	–	–	38,747	38,747
Unallocated corporate assets					1,592,484
Consolidated total assets					7,904,306
LIABILITIES					
Segment liabilities	2,639,967	1,009,661	354,855	104,927	4,109,410
Bank borrowings					2,420,728
Obligations under finance leases					51,637
Unallocated corporate liabilities					74,350
Consolidated total liabilities					6,656,125

For the year ended 30 June 2007

	LCD monitors HK$'000	TFT-LCD televisions HK$'000	CRT monitors HK$'000	Others HK$'000	Consolidated HK$'000
OTHER INFORMATION					
Capital additions	157,696	140,548	8,663	8,741	315,648
Depreciation of property, plant and equipment	58,660	38,401	12,816	18,503	128,380
Release of prepaid lease payments	1,058	161	350	8	1,577
Impairment loss on trade receivables	250	230	1,093	446	2,019
Write-down of inventories	3,718	585	4,382	1,241	9,926

6. SEGMENTAL INFORMATION *(continued)*

Geographical Segment

The following tables provide an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:

	2008 HK$'000	2007 HK$'000
Asia *(Note i)*	8,598,434	6,517,424
North America	4,262,707	4,709,952
Europe *(Note ii)*	2,795,303	3,129,184
Others	1,738,506	1,293,456
	17,394,950	15,650,016

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Asia *(Note i)*	3,645,289	4,393,403	252,217	258,069
North America	1,309,183	610,442	38	25,585
Europe *(Note ii)*	709,627	411,597	304	16,879
Others	873,666	857,633	7,514	15,115
	6,537,765	6,273,075	260,073	315,648

Notes:

(i) Asia mainly includes Taiwan and the PRC (including Hong Kong).

(ii) Europe mainly includes Belgium, the United Kingdom, the Netherlands, Germany and France.

7. OTHER INCOME

Other income includes:

	2008 HK$'000	2007 HK$'000
Interest income	35,214	28,502

8. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	278,325	201,831
Bank borrowings not wholly repayable within five years	738	536
Finance leases	301	283
	279,364	202,650

9. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	–	–
(Over)underprovision in prior years	(25,200)	125
	(25,200)	125
Other jurisdictions		
Current year	24,732	29,390
Under(over)provision in prior years	684	(1,836)
	25,416	27,554
	216	27,679

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in Hong Kong Profits Tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. Hong Kong Profits Tax is therefore calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's subsidiaries operating in Hong Kong either had no assessable profit or incurred tax losses.

Taxation in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's subsidiaries operating in the PRC are entitled to an exemption from the PRC enterprise income tax for two years commencing from their first profit-making year of operation, followed by a 50% relief from PRC enterprise income tax for the following three years. Accordingly, provision for the PRC enterprise income tax has been made after taking into account these tax incentives during the year. Two and none (2007: Four and one) of the subsidiaries of the Company are subject to PRC enterprise income tax at rates with a 50% relief and 100% exemption respectively during the year.

9. INCOME TAX EXPENSE *(continued)*

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law (the "Implementation Regulations"). In accordance with the New Law and Implementation Regulations, the tax rate for certain principal subsidiaries will ratchet up to 18%, 20%, 22%, 24%, 25% in 2008 to 2012, respectively, whilst the tax rate for other PRC subsidiaries has been unified at 25% with effect from 1 January 2008. For those subsidiaries under exemption as mentioned above, they are able to continue to enjoy the tax exemption based on the new rate under the New Law and Implementation Regulations. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

The domestic income tax rate applicable in Brazil is 40%. The Company's subsidiary operating in Brazil is eligible for a 75%, 50% and 25% relief from income tax for the period from November 1999 to 31 December 2004, for the five years ending 31 December 2009 and for the five years ending 31 December 2014, respectively.

There is no significant income tax exposures in other jurisdictions.

The tax charge for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2008 **HK$'000**	2007 HK$'000
(Loss) profit before taxation	**(50,082)**	170,467
Tax at the domestic income tax rate of 18% (2007: 15%)	**(9,015)**	25,570
Tax effect of share of results of associates	**3,863**	211
Tax effect of expenses not deductible for tax purpose	**26,122**	5,200
Tax effect of income not taxable for tax purpose	**(2,145)**	(1,155)
Overprovision in prior years	**(24,516)**	(1,711)
Tax effect of tax losses not recognised	**4,711**	3,710
Tax effect of deductible temporary differences not recognised	**8,223**	1,792
Utilisation of tax losses previously not recognised	**(891)**	(522)
Effect of concessionary tax rate granted to the PRC subsidiaries	**(10,545)**	(9,158)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,409**	3,742
Tax charge for the year	**216**	27,679

Note: For tax reconciliation purpose the domestic tax rate in the PRC of 18% (2007: 15%) is used as the operations of the Group are substantially based there.

Details of deferred taxation are set out in note 31.

10. (LOSS) PROFIT FOR THE YEAR

	2008 **HK$'000**	2007 HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and other benefits	**501,900**	394,061
Retirement benefits scheme contributions	**17,145**	15,650
Share-based payment expenses	**13,535**	3,844
	532,580	413,555
Amortisation of intangible assets (included in administrative expenses)	**5,800**	5,800
Auditor's remuneration	**4,015**	3,738
Cost of inventories recognised as an expense	**16,209,196**	14,558,676
Depreciation of property, plant and equipment	**158,038**	128,380
Impairment loss on amount due from a jointly controlled entity	**1,000**	–
Impairment loss on available-for-sale investments	**539**	–
Loss on disposal of property, plant and equipment	**4,109**	1,300
Release of prepaid lease payments	**1,749**	1,577
(Reversal of) impairment loss on trade receivables	**(3,277)**	2,019
Write-down of inventories	**48,962**	9,926

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the ten (2007: eight) directors were as follows:

2008

	Mr. Yang Long-san, Rowell	Mr. Wang Ming-chun, Morris	Ms. Hui Siu-ling, Elina	Mr. Chang Su-pong, Steve	Mr. Chang I-hua	Mr. Huang Ying-che, Michael	Mr. Lau Siu-ki, Kevin	Mr. Lee Chiu-kang, Alex	Mr. Liu Zixian	Mr. Wang Kuei-ching, Will	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(note i)	*(note ii)*	*(note ii)*				*(note ii)*	
Fees	–	–	–	–	59	59	240	240	120	59	777
Other emoluments											
Salaries and other benefits	3,933	1,430	949	462	–	–	–	–	–	–	6,774
Retirement benefits scheme contributions	–	14	12	4	–	–	–	–	–	–	30
	3,933	1,444	961	466	59	59	240	240	120	59	7,581
Share-based payment expenses	–	1,713	1,713	–	–	–	69	69	69	–	3,633
Total emoluments	3,933	3,157	2,674	466	59	59	309	309	189	59	11,214

2007

	Mr. Yang Long-san, Rowell	Mr. Wang Ming-chun, Morris	Ms. Hui Siu-ling, Elina	Mr. Chang Su-pong, Steve	Mr. Lee Yi, Richard	Mr. Lau Siu-ki, Kevin	Mr. Lee Chiu-kang, Alex	Mr. Liu Zixian	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
					(note iii)				
Fees	–	–	–	–	–	240	240	120	600
Other emoluments									
Salaries and other benefits	3,521	1,491	949	1,146	1,491	–	–	–	8,598
Retirement benefits scheme contributions	–	14	12	8	11	–	–	–	45
	3,521	1,505	961	1,154	1,502	240	240	120	9,243
Share-based payment expenses	–	307	92	92	–	31	62	31	615
Total emoluments	3,521	1,812	1,053	1,246	1,502	271	302	151	9,858

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

Directors' emoluments *(continued)*

Notes:

(i) Mr. Chang Su-pong, Steve resigned as an executive director of the Company on 5 January 2008.

(ii) Mr. Chang I-hua, Mr. Huang Ying-che, Michael and Mr. Wang Kuei-ching, Will were appointed as non-executive directors of the Company on 5 January 2008.

(iii) Mr. Lee Yi, Richard resigned as an executive director of the Company on 1 July 2007.

None of the directors has waived any emoluments during the year (2007: Nil).

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2007: three) individuals were directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining two (2007: two) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**3,234**	2,774
Retirement benefits scheme contributions	**–**	–
	3,234	2,774

	2008 Number of employees	2007 Number of employees
The emoluments were within the following bands:		
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1

12. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Dividends recognised as distribution during the year:		
Final – in respect of the immediately preceding financial year: HK1.5 cents (2007: HK2.5 cents) per share	11,580	16,171
Interim – for the year ended 30 June 2008: Nil (2007: HK2.5 cents) per share	–	16,171
	11,580	32,342

The directors do not recommend the payment of a final dividend for the year.

13. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 HK$'000	2007 HK$'000
(Loss) profit attributable to the equity holders of the Company for the purpose of basic and diluted (loss) earnings per share	(61,642)	127,103

	2008 Number of shares	2007 Number of shares
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	737,367,376	646,818,992

Note: The computation of diluted (loss) earnings per share does not assume the exercise of the Group's outstanding share options as the exercise prices of those options are higher than the average market price for both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Moulds and machinery HK$'000	Furniture, equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST OR VALUATION						
At 1 July 2006	241,650	37,681	763,327	132,352	11,342	1,186,352
Currency realignment	5,491	453	11,877	2,696	1,115	21,632
Additions	–	773	270,936	22,457	21,482	315,648
Transfer	3,532	–	9,264	–	(12,796)	–
Revaluation difference	6,246	–	–	–	–	6,246
Disposals	–	(1,055)	(20,725)	(12,836)	–	(34,616)
At 30 June 2007	256,919	37,852	1,034,679	144,669	21,143	1,495,262
Currency realignment	23,074	1,132	28,160	6,653	2,078	61,097
Additions	42,927	414	105,269	12,436	99,027	260,073
Transfer	103,348	–	4,358	362	(108,068)	–
Revaluation difference	53,607	–	–	–	–	53,607
Disposals	–	(1,715)	(11,840)	(11,684)	–	(25,239)
At 30 June 2008	479,875	37,683	1,160,626	152,436	14,180	1,844,800
Comprising:						
At cost	–	37,683	1,160,626	152,436	14,180	1,364,925
At valuation – 2008	479,875	–	–	–	–	479,875
	479,875	37,683	1,160,626	152,436	14,180	1,844,800
DEPRECIATION						
At 1 July 2006	–	27,801	359,609	79,679	–	467,089
Currency realignment	–	144	3,312	1,204	–	4,660
Provided for the year	7,413	3,482	98,239	19,246	–	128,380
Eliminated on revaluation	(7,413)	–	–	–	–	(7,413)
Eliminated on disposals	–	(1,055)	(8,718)	(6,275)	–	(16,048)
At 30 June 2007	–	30,372	452,442	93,854	–	576,668
Currency realignment	–	557	11,440	3,329	–	15,326
Provided for the year	13,405	2,802	122,795	19,036	–	158,038
Eliminated on revaluation	(13,405)	–	–	–	–	(13,405)
Eliminated on disposals	–	(1,715)	(5,854)	(9,796)	–	(17,365)
At 30 June 2008	–	32,016	580,823	106,423	–	719,262
CARRYING AMOUNT						
At 30 June 2008	479,875	5,667	579,803	46,013	14,180	1,125,538
At 30 June 2007	256,919	7,480	582,237	50,815	21,143	918,594

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives and taking into account of their estimated residual value on a straight-line basis at the following rates per annum:

Freehold land	Nil
Buildings	Over the remaining period of the relevant lease, or 50 years, whichever is the shorter
Leasehold improvements	10% – 20%
Moulds and machinery	10% – 20%
Furniture, equipment and motor vehicles	10% – 30%

The carrying amount of land and buildings shown above comprises:

	2008 HK$'000	2007 HK$'000
At valuation:		
Properties held under long-term leases or land use rights outside Hong Kong	**23,109**	17,525
Properties held under medium-term leases or land use rights outside Hong Kong	**424,566**	208,194
Freehold land and buildings outside Hong Kong	**32,200**	31,200
Total	**479,875**	256,919

The land and buildings of the Group were valued on 30 June 2008 by BMI Appraisals Limited ("BMI"), a firm of independent professional valuers at HK$479,875,000 (2007: HK$256,919,000). BMI valued the land and buildings on the open market basis by the Comparison Approach assuming sale in the existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market and Depreciated Replacement Cost Approach if market sales comparables are not available. A revaluation surplus, net of minority interests, of approximately HK$49,706,000 (2007: HK$11,574,000) has been credited to the asset revaluation reserve.

If the land and buildings of the Group had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation of approximately HK$310,534,000 (2007: HK$171,541,000).

15. PREPAID LEASE PAYMENTS

	2008 HK$'000	2007 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong held under:		
– long-term leases or land use rights	**12,114**	12,320
– medium-term leases or land use rights	**56,166**	53,750
	68,280	66,070
Analysed for reporting purposes as:		
Non-current assets	**66,478**	64,353
Current assets	**1,802**	1,717
	68,280	66,070

16. INTANGIBLE ASSETS

	Trademarks HK$'000
COST	
At 1 July 2006, 30 June 2007 and 30 June 2008	58,000
AMORTISATION	
At 1 July 2006	–
Charge for the year	5,800
At 30 June 2007	5,800
Charge for the year	5,800
At 30 June 2008	11,600
CARRYING AMOUNT	
At 30 June 2008	46,400
At 30 June 2007	52,200

All of the Group's trademarks were acquired from a third party on 30 June 2006. They are registered in the PRC and solely and beneficially owned by the Group. The products covered under such trademarks, include LCD monitors, video compact disk players, projection televisions, computer speakers, LCD televisions, television sets, and audio speakers.

16. INTANGIBLE ASSETS *(continued)*

The above intangible assets have finite useful lives, and are amortised on a straight-line basis over a period of 10 years.

17. INVESTMENTS IN ASSOCIATES

	2008 HK$'000	2007 HK$'000
Cost of unlisted investments	**41,248**	41,248
Share of post-acquisition reserves	**(18,869)**	(2,501)
	22,379	38,747

At 30 June 2008, the Group had interests in the following principal associates:

Name of associate	Principal place of incorporation or establishment/ operations	Class of share held	Proportion of nominal value of issued/registered capital held by the Group	Principal activities
Shenzhen Protrans International Logistics Co., Ltd.	PRC	Registered capital	45%	Provision of logistic services
Japan Opto Display Technology Co., Ltd.	Japan	Ordinary	44%	Manufacture and trading of monitor components and parts
寧波昇冠電子有限公司	PRC	Registered capital	30%	Manufacture and trading of computer monitors

The above table includes the associates of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

17. INVESTMENTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2008 HK$'000	2007 HK$'000
Total assets	**84,855**	109,375
Total liabilities	**(31,356)**	(18,100)
Net assets	**53,499**	91,275
Group's share of net assets of associates	**22,379**	38,747
Revenue	**45,186**	46,562
Loss for the year	**(50,172)**	(3,208)
Group's share of results of associates for the year	**(21,460)**	(1,407)

18. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	2008 HK$'000	2007 HK$'000
Cost of unlisted investment	**–**	–
Share of post-acquisition reserves	**–**	–
	–	–

At 30 June 2008, the Group had interest in the following jointly controlled entity:

Name of entity	Principal place of incorporation/ operations	Class of share held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activities
MAG Vision Digital Limited	British Virgin Islands ("BVI")/ Hong Kong	Ordinary	50%	50%	Holding of investment in a subsidiary engaged in manufacturing and trading of video and audio products

18. INVESTMENT IN A JOINTLY CONTROLLED ENTITY *(continued)*

The Group has discontinued recognition of its share of the loss of the jointly controlled entity. The amount of unrecognised share of (loss) profit of the jointly controlled entity, both for the year and cumulatively, is as follows:

	2008 HK$'000	2007 HK$'000
Unrecognised share of (loss) profit of a jointly controlled entity for the year	**(920)**	678
Accumulated unrecognised share of losses of a jointly controlled entity	**(1,160)**	(240)

The summarised financial information of the jointly controlled entity in respect of the Group's interest is as follows:

	2008 HK$'000	2007 HK$'000
Non-current assets	**66**	75
Current assets	**2,390**	2,734
Current liabilities	**(2,616)**	(2,049)
Net current (liabilities) assets	**(226)**	685
Non-current liabilities	**(1,000)**	(1,000)
Net liabilities	**(1,160)**	(240)
Income	**21,043**	21,979
Expenses	**21,963**	21,301

19. AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK$'000	2007 HK$'000
Equity securities listed overseas, at fair value	**76**	198
Unlisted fund investments in the PRC, at fair value	**13,402**	–
	13,478	198

19. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

Fair values of the above investments have been determined by reference to bid price quoted in an active market or fair value provided by the relevant financial institutions with reference to the fair value of the underlying listed equity securities of the relevant fund.

The Group's fund investments are denominated in RMB, which represents a foreign currency of the relevant group entities.

20. PREPAYMENTS AND DEPOSITS

The prepayments and deposits were paid by the Group in connection with the acquisition of property, plant and equipment for the production facilities in the PRC. Details of the related capital commitments are set out in note 33.

21. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	**1,434,412**	1,138,719
Work in progress	**592,073**	232,861
Finished goods	**893,772**	1,491,384
	2,920,257	2,862,964

22. PROPERTIES HELD FOR SALE

The Group's properties held for sale represent freehold properties held outside Hong Kong.

23. TRADE AND BILLS RECEIVABLES

	2008 HK$'000	2007 HK$'000
Trade and bills receivables	**1,889,360**	2,069,631
Less: allowance for doubtful debts	**(27,937)**	(31,214)
	1,861,423	2,038,417

23. TRADE AND BILLS RECEIVABLES *(continued)*

The Group's payment terms with customers are normally within 90 days from date of issuance of invoices, except for certain well established customers, where the terms are extended to 180 days. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts prepared based on the invoice date at the reporting date:

	2008 HK$'000	2007 HK$'000
Within 90 days	**1,768,339**	1,956,318
Between 91 to 180 days	**13,387**	27,283
Over 181 days	**79,697**	54,816
	1,861,423	2,038,417

Before accepting any new customer, the Group will understand the potential customer's credit quality and define its credit limits. Credit sales are made to customers with a satisfactory credit history. Credit limits and credit term granted to customers are reviewed regularly. The above trade and bills receivables of approximately HK$1,768,339,000 (2007: HK$1,956,318,000) aged within 90 days that are neither past due nor impaired have good credit quality with reference to the track records of these customers under internal assessment by the Group.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of approximately HK$93,084,000 (2007: HK$82,099,000) aged over 91 days which are past due at the reporting date for which the Group has not provided for impairment loss. The Group has obtained collateral, including certain land and buildings and intangible assets, over certain of these balances.

In the absence of strong evidence showing a high probability of recovery, the Group has provided impairment for receivables aged over 181 days because historical experience is such that receivables that are past due beyond 181 days are generally not recoverable.

Movements in the allowance for doubtful debts

	2008 HK$'000	2007 HK$'000
Balance brought forward	**31,214**	29,195
Impairment losses recognised	**–**	2,019
Amounts recovered during the year	**(3,277)**	–
Balance carried forward	**27,937**	31,214

23. TRADE AND BILLS RECEIVABLES *(continued)*

The Group's trade and bills receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 **HK$'000**	2007 HK$'000
US$	**527,405**	407,823
RMB	**3,727**	1,620

During the year ended 30 June 2008, a debtor of a group entity has settled its debts of approximately HK$6,560,000 (2007: Nil) by transferring the ownership of a freehold property outside Hong Kong to the Group. The property has been classified as properties held for sale at the balance sheet date.

24. AMOUNT DUE FROM/TO A JOINTLY CONTROLLED ENTITY/AN ASSOCIATE

The amounts are unsecured, interest-free and repayable on demand. During the year, full impairment has been made in respect of the amount due from a jointly controlled entity.

25. DERIVATIVE FINANCIAL INSTRUMENTS

At the balance sheet date, major terms of outstanding foreign currency forward contracts are as follows:

Notional amount	**Currency conversion**
Deliverable forward contracts (gross settled)	
43 contracts to buy US$177,725,000 in total	US$1: RMB6.63 to RMB7.26
29 contracts to sell US$101,000,000 in total	US$1: RMB6.39 to RMB7.29
Non-deliverable forward contracts (net settled)	
111 contracts to buy US$517,000,000 in total	US$1: RMB6.30 to RMB7.28
2 contracts to buy HK$13,000,000 in total	US$1: HK$7.77 to HK$7.78

The above contracts will mature at various dates within one to twelve months from the balance sheet date.

As at 30 June 2008, a fair value loss of approximately HK$80,728,000 (2007: Nil) has been recognised in profit or loss. The fair value of above foreign currency forward contracts are estimated based on the prices provided by the counterparty financial institutions that are determined based on estimated cash flows with appropriate yield curve for equivalent instruments at the balance sheet date. During the year ended 30 June 2008, an amount of approximately HK$290 million (2007: Nil) has been included in net foreign exchange gain as shown in the consolidated income statement, representing the sum of realised and unrealised gain on borrowings and payables denominated in US$ which are hedged by the Group's forward contracts.

Of the derivative financial assets and liabilities, approximately HK$37,195,000 (2007: Nil) and HK$117,923,000 (2007: Nil), respectively are denominated in US$, which represents a foreign currency of the relevant group entities.

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent the deposits pledged to banks to secure banking facilities granted to the Group. The deposits have been pledged to secure short-term banking facilities and are therefore classified as current assets. The deposits carry fixed-rate interest at rates, ranging from 1.8% to 4.38% (2007: 2.25% to 2.90%) per annum. The pledged bank deposits will be released upon the settlement of the relevant bank borrowings.

The Group's pledged bank deposits that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 **HK$'000**	2007 HK$'000
US$	**3,430**	89
RMB	**105,065**	195,460

Bank balances and cash comprise bank balances and cash held by the Group and short-term bank deposits that carry interest at market interest rates. All bank deposits have a maturity of three months or less. The bank deposits carry interest at rates, ranging from 0.1% to 3.45% (2007: 0.1% to 5.5%) per annum.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 **HK$'000**	2007 HK$'000
US$	**427,618**	235,306
RMB	**511,587**	653,503

27. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables at the balance sheet date:

	2008 **HK$'000**	2007 HK$'000
Within 90 days	**2,676,541**	3,324,566
Between 91 to 180 days	**484,018**	528,967
Over 181 days	**60,797**	44,648
	3,221,356	3,898,181

The average credit period on purchase of goods is 90 days.

27. TRADE AND BILLS PAYABLES *(continued)*

The Group's trade and bills payables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 HK$'000	2007 HK$'000
US$	**2,565,272**	1,796,731
RMB	**94,696**	42,823

28. BANK BORROWINGS

	2008 HK$'000	2007 HK$'000
Bank loans and trust receipt loans	**2,698,695**	2,420,728
Analysed as:		
Secured	**657,154**	392,703
Unsecured	**2,041,541**	2,028,025
	2,698,695	2,420,728

The Group's bank borrowings are as follows:

	2008			2007		
	Fixed-rate borrowings HK$'000	Floating-rate borrowings HK$'000	Total HK$'000	Fixed-rate borrowings HK$'000	Floating-rate borrowings HK$'000	Total HK$'000
Within one year	**248,566**	**2,053,010**	**2,301,576**	1,341,201	850,029	2,191,230
More than one year, but not exceeding two years	**56,776**	**67,212**	**123,988**	–	100,564	100,564
More than two years, but not exceeding three years	**–**	**57,296**	**57,296**	–	22,537	22,537
More than three years, but not exceeding four years	**–**	**50,333**	**50,333**	–	2,038	2,038
More than four years, but not exceeding five years	**–**	**157,135**	**157,135**	–	1,277	1,277
More than five years	**–**	**8,367**	**8,367**	–	103,082	103,082
	305,342	**2,393,353**	**2,698,695**	1,341,201	1,079,527	2,420,728
Less: Amounts due within one year shown under current liabilities	**(248,566)**	**(2,053,010)**	**(2,301,576)**	(1,341,201)	(850,029)	(2,191,230)
Amounts due after one year	**56,776**	**340,343**	**397,119**	–	229,498	229,498

28. BANK BORROWINGS *(continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2008	2007
Effective interest rate:		
Fixed-rate borrowings	**3.73% – 6.42%**	4.6% to 7.1%
Variable-rate borrowings	**2.62% – 11.91%**	3.7% to 13.1%

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2008 HK$'000	2007 HK$'000
US$	**1,697,965**	1,946,808
RMB	**416,244**	–

During the year, the Group obtained new bank loans in an amount of approximately HK$7,516 million (2007: HK$4,857 million). The loans bear interest at prevailing market rates and are repayable by instalments over a period of one to ten years. The proceeds were used to finance the acquisition of property, plant and equipment, investments and for general working capital purpose of the Group.

29. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its land and buildings and furniture, equipment and motor vehicles under finance leases. The lease term ranges from three to fifteen years. For the year ended 30 June 2008, the average effective borrowing rate was 4.0% (2007: 4.0%) per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis.

	Minimum lease payments		Present value of minimum lease payments	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Amounts payable under finance leases:				
Within one year	**5,989**	5,417	**5,315**	4,963
More than one year, but not exceeding two years	**5,989**	5,417	**5,146**	4,806
More than two years, but not exceeding three years	**5,889**	5,417	**4,908**	4,653
More than three years, but not exceeding four years	**5,870**	5,317	**4,735**	4,431
More than four years, but not exceeding five years	**5,870**	5,297	**4,582**	4,273
More than five years	**39,175**	40,653	**27,009**	28,511
	68,782	67,518	**51,695**	51,637
Less: future finance charges	**(17,087)**	(15,881)	**N/A**	N/A
Present value of lease obligations	**51,695**	51,637	**51,695**	51,637
Less: Amounts due within one year shown under current liabilities			**(5,315)**	(4,963)
Amounts due after one year			**46,380**	46,674

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

All of the finance lease obligations are denominated in the functional currencies of the relevant group entities.

The carrying values of land and buildings and furniture, equipment and motor vehicles of the Group include amounts of approximately HK$121,360,000 (2007: HK$91,900,000) and HK$87,000 (2007: HK$261,000) respectively in respect of assets held under finance leases.

30. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	Amount
		HK$'000
Authorised:		
At 1 July 2006, 30 June 2007 and 30 June 2008	2,000,000,000	200,000
Issued and fully paid:		
At 1 July 2006 and 30 June 2007	646,818,992	64,681
Issue of shares under general mandate	125,190,000	12,519
At 30 June 2008	772,008,992	77,200

On 10 May 2007 and 9 July 2007, the Company entered into a subscription agreement (the "Subscription Agreement") and a supplemental agreement, respectively, with Shan Chih Assets Development Company Limited (the "Subscriber"), a company incorporated in Taiwan with limited liability and a wholly-owned subsidiary of 大同股份有限公司 ("Tatung"), a listed company in Taiwan, for the allotment and issue of 125,190,000 shares (the "Subscription Shares") of the Company in cash, at the subscription price of HK$1.25 per share (the "Subscription Price") to San-Chih Asset International Holding Corp. (the "Nominee"), a nominee of the Subscriber, pursuant to the general mandate passed as an ordinary resolution on the annual general meeting of the Company held on 28 November 2006 (collectively referred to as the "Subscription").

The Subscription Price of HK$1.25 per share represents (i) a discount of approximately 19.35% to the closing price of HK$1.55 per share of the Company as quoted on the Stock Exchange on the date on which the terms of Subscription Agreement were fixed, (ii) a premium of approximately 0.81% over the average closing price of HK$1.24 per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement, and (iii) a premium of approximately 6.56% over the average closing price of approximately HK$1.173 per share of the Company as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the entering into of the Subscription Agreement.

Details of these are disclosed in announcements of the Company dated 11 May 2007 and 9 July 2007.

The Subscription took place on 10 October 2007. The net proceeds of approximately HK$156,487,000 were used for general working capital, capital expenditure and business expansion.

The new issued shares under the Subscription rank passu with the then existing shares in issue in all respects.

31. DEFERRED TAXATION

The following is the deferred tax liabilities recognised and movements thereon during the current and prior years:

	Revaluation of properties HK$'000
At 1 July 2006	10,728
Change in tax rate charged to equity	3,635
Charge to equity for the year	2,891
At 30 June 2007	17,254
Change in tax rate charged to equity	3,331
Charge to equity for the year	16,840
At 30 June 2008	37,425

At the balance sheet date, the Group has unused tax losses of approximately HK$146 million (2007: HK$125 million) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$31 million (2007: HK$30 million) and HK$30 million (2007: HK$30 million) that will expire in twenty years and five years, respectively, since the dates of incurrence. Other losses may be carried forward indefinitely.

At the balance sheet date, the Group has deductible temporary differences arising from allowances for bad and doubtful debts and inventories of HK$177 million (2007: HK$131 million). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

32. SHARE-BASED PAYMENT TRANSACTIONS

The Company currently operates a share option scheme (the "Scheme") under which eligible participants may be granted options to subscribe for shares in the Company.

Pursuant to an ordinary resolution passed at the Special General meeting of the Company held on 12 February 2003, the Scheme was approved and adopted for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds any equity interest (the "Invested Entity"). Eligible participants of the Scheme include the directors and employees of the Company, its subsidiaries or any Invested Entity, suppliers and customers of the Group or any Invested Entity, any person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity. The Scheme should, unless otherwise terminated or amended, remain in force for ten years until February 2013.

32. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares in issue from time to time. The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue on 12 February 2003. Share options which lapse in accordance with the terms of the Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit. The Company may seek approval of the shareholders in general meeting for refreshing the 10% limit under the Scheme save that the total number of shares which may be issued upon exercise of all share options to be granted under the Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of shares in issue as at the date of approval of the limit as refreshed. Share options previously granted under the Scheme or any other share option schemes of the Company (including share options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Scheme or any other share option scheme of the Company) will not be counted for the purpose of calculating the limit as refreshed. The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such grant or further granted in aggregate shall not exceed 1% of the total number of shares in issue. Otherwise, prior approval by the shareholders in general meeting must be sought.

Each grant of the share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, under the Scheme must comply with the requirements of Rule 17.04 of the Listing Rules and must be subject to approval by the independent non-executive directors to whom share options have not been granted. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the total number of shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, are subject to prior approval from shareholders in a general meeting.

The offer of a grant of share options shall be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, save that such period shall not be more than ten years from the date of the offer of the share options subject to the provisions for early termination set out in the Scheme. There is no minimum period for which an opinion must be held before the exercise of the subscription right attaching thereto except otherwise imposed by the board of directors.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer, and (iii) the nominal value of the Company's shares.

32. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

During the year ended 30 June 2008, there was 39,500,000 (2007: Nil) share options granted under the Scheme while 3,515,000 (2007: 590,000) share options were either lapsed or cancelled. As at 30 June 2008, 37,700,899 (2007: 39,546,412) ordinary shares are available for issue under the Scheme, representing 4.88% (2007: 6.11%) of the issued share capital of the Company.

The following tables disclose details of the Company's share options under the Scheme held by employees (including directors) and movements in such holdings during the year:

Date of grant of share options *(note i)*	Exercise period of share options	Exercise price of share options HK$ *(note ii)*	Number of share options: As at 1 July 2007	Granted during the year *(note iii)*	Exercised during the year	Lapsed/ cancelled during the year	As at 30 June 2008
24 March 2003	24 September 2003 – 23 March 2013	1.04	7,200,000	–	–	(750,000)	6,450,000
24 March 2003	24 March 2004 – 23 March 2013	1.04	8,250,000	–	–	(750,000)	7,500,000
11 February 2004	16 February 2005 – 10 February 2014	2.05	10,232,000	–	–	(404,000)	9,828,000
11 February 2004	16 August 2005 – 10 February 2014	2.05	10,321,000	–	–	(411,000)	9,910,000
11 February 2004	16 February 2006 – 10 February 2014	2.05	8,642,000	–	–	(200,000)	8,442,000
13 February 2006	1 July 2006 – 31 December 2008	1.70	12,500,000	–	–	(500,000)	12,000,000
13 February 2006	1 January 2007 – 31 December 2008	1.70	12,500,000	–	–	(500,000)	12,000,000
14 November 2007	1 December 2007 – 31 December 2013	1.02	–	19,750,000	–	–	19,750,000
14 November 2007	1 June 2008 – 31 December 2013	1.02	–	19,750,000	–	–	19,750,000
			69,645,000	39,500,000	–	(3,515,000)	105,630,000
Exercisable at the end of the year							105,630,000
Weighted average exercise price			1.70	1.02	–	1.52	1.45

32. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Date of grant of share options *(note i)*	Exercise period of share options	Exercise price of share options HK$ *(note ii)*	Number of share options: As at 1 July 2006	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	As at 30 June 2007
24 March 2003	24 September 2003 – 23 March 2013	1.04	7,200,000	–	–	–	7,200,000
24 March 2003	24 March 2004 – 23 March 2013	1.04	8,250,000	–	–	–	8,250,000
11 February 2004	16 February 2005 – 10 February 2014	2.05	10,464,000	–	–	(232,000)	10,232,000
11 February 2004	16 August 2005 – 10 February 2014	2.05	10,561,000	–	–	(240,000)	10,321,000
11 February 2004	16 February 2006 – 10 February 2014	2.05	8,760,000	–	–	(118,000)	8,642,000
13 February 2006	1 July 2006 – 31 December 2008	1.70	12,500,000	–	–	–	12,500,000
13 February 2006	1 January 2007 – 31 December 2008	1.70	12,500,000	–	–	–	12,500,000
			70,235,000	–	–	(590,000)	69,645,000
Exercisable at the end of the year							69,645,000
Weighted average exercise price			1.70	–	–	2.05	1.70

32. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Details of the share options held by the directors included in the above table are as follows:

Date of grant of share options *(note i)*	Exercise period of share options	Exercise price of share options HK$ *(note ii)*	Number of share options: As at 1 July 2007	Granted during the year *(note iii)*	Exercised during the year	Lapsed/ cancelled during the year	As at 30 June 2008
Directors							
24 March 2003	24 September 2003 – 23 March 2013	1.04	5,750,000	–	–	–	5,750,000
24 March 2003	24 March 2004 – 23 March 2013	1.04	5,750,000	–	–	–	5,750,000
11 February 2004	16 February 2005 – 10 February 2014	2.05	698,000	–	–	–	698,000
11 February 2004	16 August 2005 – 10 February 2014	2.05	698,000	–	–	–	698,000
11 February 2004	16 February 2006 – 10 February 2014	2.05	704,000	–	–	–	704,000
13 February 2006	1 July 2006 – 31 December 2008	1.70	2,000,000	–	–	–	2,000,000
13 February 2006	1 January 2007 – 31 December 2008	1.70	2,000,000	–	–	–	2,000,000
14 November 2007	1 December 2007 – 31 December 2013	1.02	–	5,300,000	–	–	5,300,000
14 November 2007	1 June 2008 – 31 December 2013	1.02	–	5,300,000	–	–	5,300,000
			17,600,000	10,600,000	–	–	28,200,000
Exercisable at the end of the year							28,200,000
Weighted average exercise price			1.31	1.02	–	–	1.20

32. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Date of grant of share options (note i)	Exercise period of share options	Exercise price of share options HK$ (note ii)	Number of share options: As at 1 July 2006	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	As at 30 June 2007
Directors							
24 March 2003	24 September 2003 – 23 March 2013	1.04	5,750,000	–	–	–	5,750,000
24 March 2003	24 March 2004 – 23 March 2013	1.04	5,750,000	–	–	–	5,750,000
11 February 2004	16 February 2005 – 10 February 2014	2.05	698,000	–	–	–	698,000
11 February 2004	16 August 2005 – 10 February 2014	2.05	698,000	–	–	–	698,000
11 February 2004	16 February 2006 – 10 February 2014	2.05	704,000	–	–	–	704,000
13 February 2006	1 July 2006 – 31 December 2008	1.70	2,000,000	–	–	–	2,000,000
13 February 2006	1 January 2007 – 31 December 2008	1.70	2,000,000	–	–	–	2,000,000
			17,600,000	–	–	–	17,600,000
Exercisable at the end of the year							17,600,000
Weighted average exercise price			1.31	–	–	–	1.31

Notes:

(i) The vesting period of share options is from the date of the grant until the commencement of the exercise period.

(ii) The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(iii) The closing market price per share immediately before the date of which the share options were granted was HK$1.01.

During the year, 39,500,000 (2007: Nil) share options were granted under the Scheme on 14 November 2007. The estimated fair value of the options granted on that date was HK$0.34 per option.

32. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The above fair value was calculated using the Binomial Model. The inputs into the model were as follows:

	Date of grant 14 November 2007
Share price per share at grant date	HK$1.01
Exercise price	HK$1.02
Expected volatility	62.58%
Expected life	6.13 years
Risk-free rate	3.207%
Expected dividend yield	4.95%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 319 weeks before the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability of options, exercise restrictions and behavioural considerations.

The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The Group recognised a total expense of approximately HK$13,535,000 (2007: HK$3,844,000) for the year in relation to share options granted by the Company.

33. CAPITAL COMMITMENTS

	2008 HK$'000	2007 HK$'000
Capital commitments contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**780**	15,750

34. OPERATING LEASE COMMITMENTS

The Group as lessee

Minimum lease payments paid under operating leases during the year in respect of premises and moulds and machinery was approximately HK$40,685,000 (2007: HK$40,857,000).

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2008	2007
	HK$'000	HK$'000
Within one year	**43,872**	39,894
In the second to fifth year inclusive	**50,833**	72,919
	94,705	112,813

The lease terms for the rented premises range from one to four years and for the moulds and machinery is one year. Rentals are fixed and no arrangements have been entered into for contingent rental payments.

The Group as lessor

Property rental income earned during the year was HK$460,000 (2007: HK$496,000). At the balance sheet date, the Group had no arrangements under operating leases.

35. PLEDGE OF ASSETS

In addition to the assets held under finance leases as disclosed in note 29, the following assets were pledged to banks to secure the general credit facilities granted to the Group as at 30 June 2008:

(i) certain moulds and machinery of the Group with a carrying amount of approximately HK$33,182,000 (2007: HK$4,070,000);

(ii) pledge of bank deposits with an aggregate amount of approximately HK$152,856,000 (2007: HK$203,854,000); and

(iii) first legal charges over certain land and buildings of the Group of approximately HK$177,900,000 (2007: HK$139,100,000).

36. CONTINGENT LIABILITIES

During the year, the Group has been involved in a patent litigation.

In October 2007, a third party company (the "Plaintiff") filed a complaint in the United States of America against the Company and two of its subsidiaries. The complaint claimed for damages related to alleged infringement of patents in respect of the system for forming and processing information suitable for broadcast and the technology of asymmetric picture compression.

Up to the date of report, the Plaintiff has not yet identified the amounts of damages sought. The Group is vigorously defending itself against the complaint and legal proceeding is still ongoing. In the opinion of the directors, the outcome of the litigation cannot be estimated with certainty at this stage.

37. RETIREMENT BENEFITS SCHEMES

Effective from 1 December 2000, the Group has participated in a Mandatory Provident Fund Scheme ("MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contributions are available to reduce the contribution payable in the future years.

The Group is also required to make contributions to state pension schemes in the PRC and defined contribution plans in Taiwan and Brazil based on certain percentages of the monthly salaries of the employees of the Group's subsidiaries operating in the relevant locations. The Group has no other obligations under these pension schemes/plans other than the contribution payments.

During the year, the total amounts contributed by the Group to the relevant retirement benefits schemes are as follows:

	2008 **HK$'000**	2007 HK$'000
MPF Scheme	**267**	649
State pension schemes	**14,866**	13,648
Pension plans	**2,012**	1,353
	17,145	15,650

38. CONNECTED AND RELATED PARTIES DISCLOSURES

(a) Connected party transactions

During the year, the Group entered into the following significant transactions with a connected party, as defined in Rule 14A.11 of the Listing Rules:

Connected party	Nature of transactions	2008 HK$'000	2007 HK$'000
Tatung, a substantial shareholder of the Company, and its subsidiaries	Sales of goods	50,318	–
	Purchases of materials	183,329	–

(b) Related party transactions

During the year, the Group entered into the following significant transactions with related companies:

Related party	Nature of transactions	2008 HK$'000	2007 HK$'000
A related party *(note 1)*	Rental expense *(note 2)*	995	995
A jointly controlled entity	Sales of goods	7,326	3,016
	Purchases of materials	–	1,278

Notes:

1. The related party is Isystems Technology, Inc. ("Isystems"), a company of which Mr. Yang Long-san, Rowell and Mr. Yang Yun-tsai (father of Mr. Yang Long-san, Rowell) have interests of 19.4% and 16.8% respectively in its issued capital.

2. The rentals were charged in accordance with the terms of the tenancy agreement entered into between the Group and Isystems.

(c) Related party balances

Details of the Group's outstanding balances with related parties are set out on the consolidated balance sheet and in note 24.

(d) Bank facilities

In addition to the pledge of the Group's assets set out in note 35, certain of the Group's bank facilities as at the balance sheet date were also secured by the personal guarantees from a director of the Company and a director of a subsidiary of the Company.

38. CONNECTED AND RELATED PARTIES DISCLOSURES *(continued)*

(e) Compensation of key management personnel

The remuneration of the key management during the year is as follows:

	2008 HK$'000	2007 HK$'000
Short-term benefits	7,551	9,198
Post-employment benefits	30	45
Share-based payment expenses	3,633	615
	11,214	9,858

39. BALANCE SHEET OF THE COMPANY

	2008 HK$'000	2007 HK$'000
Total assets	970,027	795,857
Total liabilities	(367,117)	(358,661)
	602,910	437,196
Capital and Reserves		
Share capital	77,200	64,681
Reserves *(note)*	525,710	372,515
	602,910	437,196

39. BALANCE SHEET OF THE COMPANY *(continued)*

Note:

	Share premium HK$'000	Contributed surplus HK$'000	Share-based compensation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2006	172,724	162,374	30,396	3,139	368,633
Recognition of equity-settled share-based payments	–	–	3,844	–	3,844
Release upon lapse of vested share options	–	–	(6,833)	6,833	–
Profit for the year	–	–	–	32,380	32,380
Dividends recognised as distribution	–	–	–	(32,342)	(32,342)
At 30 June 2007	172,724	162,374	27,407	10,010	372,515
New shares issued	143,968	–	–	–	143,968
Recognition of equity-settled share-based payments	–	–	13,535	–	13,535
Release upon lapse of vested share options	–	–	(983)	983	–
Profit for the year	–	–	–	7,272	7,272
Dividend recognised as distribution	–	–	–	(11,580)	(11,580)
At 30 June 2008	316,692	162,374	39,959	6,685	525,710

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2007 and 2008 are as follows:

Name of subsidiary	Principal place of incorporation or establishment/ operations	Issued and fully paid share/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Essex Monitor (H.K.) Company Limited	Hong Kong	Non-voting deferred HK$40,000,000 Ordinary HK$100	–	100%	Investment holding and leasing of machinery
Gaintle Limited	Hong Kong	Ordinary HK$2	–	100%	Provision of shipping services
Delighton Limited	BVI/Hong Kong	Ordinary US$1	–	100%	Holding of trademarks
Ningbo Prowell Electronic Co., Ltd. ("NPE") *(notes i and ii)*	PRC	Registered US$18,000,200	–	100%	Manufacture and trading of computer monitors
Proview Electronica do Brasil Ltda.	Brazil	Registered R$34,638,900	–	100%	Manufacture and trading of computer monitors and televisions

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Principal place of incorporation or establishment/ operations	Issued and fully paid share/ registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Every Wonder Limited	BVI	Ordinary US$100	–	100%	Investment holding
Proview Electronics Co., Ltd.	Taiwan	Registered NT$119,600,000	–	100%	Manufacture and trading of computer monitors and monitor components and parts
Proview Group (L) Limited	Labuan	Ordinary US$2	–	100%	Trading of computer monitors, televisions and monitor components and parts
Proview Industrial Limited	BVI	Ordinary US$1	–	100%	Investment holding
Proview Group Limited	BVI	Ordinary US$3,000	100%	–	Investment holding
Proview International (U.K.) Limited	The United Kingdom	Ordinary GBP2	–	100%	Trading of computer monitors and televisions
Proview Product Europe S.A.	Belgium	Ordinary Euro 100,000	–	51%	Trading of computer monitors and televisions
PGL Europe B.V.	The Netherlands	Ordinary Euro 18,000	–	100%	Trading of computer monitors and televisions
Proview Optronics (Shenzhen) Co., Ltd. ("POS") *(note i)*	PRC	Registered US$50,000,000	–	100%	Manufacture and trading of computer monitors, televisions and monitor components and parts
Proview Services Limited	Labuan	Ordinary US$1	–	100%	Provision of financial services
Proview Technology (PRC) Limited	BVI	Ordinary US$1	–	100%	Investment holding
Proview Technology (Wuhan) Co., Ltd. ("Proview Wuhan") *(note iii)*	PRC	Registered capital US$12,000,000 Paid-up capital RMB99,590,400	–	62%	Manufacture and trading of computer monitors and televisions

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Principal place of incorporation or establishment/ operations	Issued and fully paid share/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Proview Technology (Shenzhen) Co., Ltd. ("PTS") *(note i)*	PRC	Registered US$50,000,000	–	100%	Manufacture and trading of computer monitors, televisions and computer components and parts
Proview Technology, Inc.	United States of America	Ordinary US$4,300,000	–	100%	Trading of computer monitors and televisions
Yoke Technology (Shenzhen) Co., Ltd. ("Yoke") *(note i)*	PRC	Registered US$15,500,000	–	100%	Manufacture and trading of computer monitor components

Notes:

(i) NPE, POS, PTS and Yoke are established in the PRC as wholly foreign owned enterprises.

(ii) The registered capital of NPE has been increased from US$7,000,000 to US$18,000,200 during the year ended 30 June 2008.

(iii) Proview Wuhan is established in the PRC as a sino-foreign owned enterprise.

None of the subsidiaries had any debt securities outstanding at the end of the year or any time during the year.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Financial Summary

A financial summary of the Group for five years ended 30 June 2008 is presented below:

RESULTS

	For the year ended 30 June				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Revenue	8,695,499	12,143,348	16,177,812	15,650,016	**17,394,950**
Profit (loss) before taxation	176,274	53,816	236,378	170,467	**(50,082)**
Income tax expense	(25,460)	(32,437)	(39,112)	(27,679)	**(216)**
Profit (loss) for the year	150,814	21,379	197,266	142,788	**(50,298)**
Attributable to					
Equity holder of the Company	148,438	26,068	180,328	127,103	**(61,642)**
Minority interests	2,376	(4,689)	16,938	15,685	**11,344**
	150,814	21,379	197,266	142,788	**(50,298)**

ASSETS AND LIABILITIES

	As at 30 June				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	**2008** **HK$'000**
Property, plant and equipment	766,136	743,842	719,263	918,594	**1,125,538**
Prepaid lease payments	–	42,889	41,980	64,353	**66,478**
Intangible assets	–	–	58,000	52,200	**46,400**
Investments in associates	3,988	70,171	39,251	38,747	**22,379**
Available-for-sale investments	–	–	116	198	**13,478**
Investments in securities	187	156	–	–	**–**
Prepayments and deposits	10,405	16,339	6,827	11,314	**3,474**
Deposit paid for investment in a subsidiary	10,169	–	–	–	**–**
Current assets	5,113,516	6,367,214	6,088,279	6,818,900	**6,694,354**
Total assets	5,904,401	7,240,611	6,953,716	7,904,306	**7,972,101**
Current liabilities	(4,971,225)	(6,242,266)	(5,744,868)	(6,362,699)	**(6,020,083)**
Non-current liabilities	(42,500)	(99,883)	(98,020)	(293,426)	**(480,924)**
Total liabilities	(5,013,725)	(6,342,149)	(5,842,888)	(6,656,125)	**(6,501,007)**
	890,676	898,462	1,110,828	1,248,181	**1,471,094**
Equity attributable to equity holders of the Company	817,728	849,716	1,046,962	1,174,566	**1,369,896**
Minority interests	72,948	48,746	63,866	73,615	**101,198**
	890,676	898,462	1,110,828	1,248,181	**1,471,094**